



# ANNUAL REPORT 2010

# Directory

## Board of Directors

**J A (Tony) Killen**

BA, FAICD, FAIM (Chairman, Non-executive)

**Robin B O Burns**

Dip.Acc, FAICD (Managing Director)

**David F Groves**

B.Com, M.Com, CA, FAICD (Deputy Chairman, Non-executive)

**John R McConnell**

B.Com, FAICD, FAIM, F Fin (Non-executive)

**Barry J Jackson**

B.Com (Hons), MAICD (Non-executive)

**Alice J M Williams**

B.Com, FCPA, FAICD, ASFA AIF, CFA (Non-executive)

**The Hon Jeffrey G Kennett AC**

Hon.DBus (Ballarat) (Non-executive)

## Company Secretary/ Chief Financial Officer

**Terry Ryan**

B.Bus, FCA, F Fin

## Joint Company Secretary

**Philip B Maddox**

LLB, BA, GDipAppFin (Finsia)

## Auditor

**Deloitte Touche Tohmatsu**

550 Bourke Street

Melbourne Victoria 3000

## Share Registry

**Computershare Investor Services Pty Ltd**

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Abbotsford Victoria 3067

## Registered office

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## Equity Trustees Limited

ABN 46 004 031 298

Australian Financial Services Licence No 240975

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# Directors' Report for the Financial Year Ended 30 June 2010

The directors of Equity Trustees Limited (the Company) submit herewith the annual financial report for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

The names of directors of the Company during or since the end of the financial year are:

J A (Tony) Killen, Chairman

Robin B O Burns, Managing Director (appointed 1 March 2010)

David F Groves, Deputy Chairman

John R McConnell

Barry J Jackson

Alice J M Williams

The Hon Jeffrey G Kennett AC

Peter J Williams, Managing Director (retired on 28 February 2010)

Details of directorships and experience are summarised in the Board of Directors' Profiles, following this report.

## Company Secretaries

Mr Terry Ryan, Chartered Accountant, held the office of joint Company Secretary during and since the end of the financial year. Mr Ryan joined Equity Trustees Limited in 2003 and previously held senior finance, administration, and secretarial roles in the financial services industry and is a fellow of the Institute of Chartered Accountants and the Financial Services Institute of Australasia.

Mr Philip B Maddox, Lawyer, held the office of joint Company Secretary during and since the end of the financial year.

Mr Maddox joined Equity Trustees Limited in late 2001 and previously held senior managerial and operational roles in the trustee industry. He is a member of the Law Institute of Victoria and currently holds a Legal Corporate Practising Certificate.

## Principal activities

The principal activities of the Equity Trustees Limited Group (the Group) during the course of the financial year involved the provision of a range of financial services to clients of our Private Clients, Funds Management, Fund Services, and Superannuation business units. Further details pertaining to the activities of these business units is summarised below.

## Review of operations

For the year ended 30 June 2010, the Group earned a profit after tax of \$8,045,224 (2009: \$8,011,871). The Group is made up of four business units. There was no change to the strategic operation of these business units during the 2010 financial year.

The four business units, their function and 2010 revenue performance is summarised as follows:

Business unit	Key functions	2010 performance
Private Clients	The provision of personal asset management services – including wealth management, trust management, estate planning, executorial, taxation and philanthropic services. The team is supported by an in-house asset management team providing investment advice to all private clients.	Operating revenue up 12.3% to \$8.5m (2009: \$7.6m) Assets under management up 13.4% to \$1,261m (2009: \$1,112m)
Funds Management	Management and coordination of the distribution and marketing for Equity Trustees co-branded retail and wholesale funds managed by external specialist investment managers.	Operating revenue down 2.1% to \$8.3m (2009: \$8.5m) Funds under management up 12.3% to \$2,176m (2009: \$1,938m)
Fund Services	Overall responsibility for the risk management of Corporate Trust and Responsible Entity businesses – covering both managed funds and superannuation.	Operating revenue up 4.8% to \$8.5m (2009: \$8.1m) Funds under administration up 28.9% to \$14,450m (2009: \$11,209m)
Superannuation	A full service trustee, administration and investment business which manages employer superannuation funds through its 'fund of funds' Master Trust primarily servicing small-to-medium sized enterprises. The Master Trust also offers tax effective pension accounts to individuals.	Operating revenue down 1.8% to \$8.3m (2009: \$8.5m) Funds under management up 10.4% to \$624m (2009: \$565m)

## Changes in the state of affairs

During the financial year, there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

## Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

## Dividends

In respect of the financial year ended 30 June 2009:

- i. An interim dividend of 50 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 16 April 2009.
- ii. A final dividend of 60 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 14 October 2009.

In respect of the financial year ended 30 June 2010:

- i. An interim dividend of 50 cents per share, franked to 100% at 30% corporate income tax rate, was paid to holders of fully paid ordinary shares on 16 April 2010.
- ii. Subsequent to 30 June 2010, the directors declared a final dividend of 60 cents per share, franked to 100% at 30% corporate income tax rate, payable to holders of fully paid ordinary shares on 14 October 2010.

## Indemnification of directors, officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors, company secretaries, and officers of the Group against a liability incurred as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director, a company secretary, an officer or auditor of the company or any related body corporate against a liability incurred as such a director, company secretary, officer, or auditor.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 17 Board meetings, 12 Committee of the Board meetings, 4 Remuneration & Human Resources Committee meetings, and 13 Audit & Compliance Committee (A&CC) meetings were held.

Directors in attendance	Board meetings		Committee of the Board meetings <sup>1</sup>		Remuneration and Human Resources Committee meetings		Audit & Compliance Committee meetings	
	Eligible to attend <sup>2</sup>	Attended	Eligible to attend <sup>2</sup>	Attended	Eligible to attend <sup>2</sup>	Attended	Eligible to attend <sup>2</sup>	Attended
J A (Tony) Killen	17	17	3	3	4	4	-	-
R B O Burns <sup>3</sup>	4	4	4	4	-	-	-	-
P J Williams <sup>4</sup>	13	13	6	6	-	-	-	-
D F Groves	17	16	9	9	-	-	13	13
J R McConnell	17	17	10	10	-	-	13	13
B J Jackson	17	16	4	4	4	4	-	-
A J M Williams	17	16	8	8	-	-	13	12
J G Kennett	17	16	3	3	4	4	-	-

1. Committee of the Board meetings are constituted by at least any two directors acting pursuant to the authority of the full Board.
2. Meetings held that the director was eligible to attend whilst holding office.
3. Mr R B O Burns was appointed Managing Director on 1 March 2010.
4. Mr P J Williams retired as Managing Director on 28 February 2010.

## Directors' Report for the Financial Year Ended 30 June 2010 (cont.)

### Directors' shareholding

The following table sets out each director's relevant interest in shares. All shares are fully paid ordinary shares.

Director	Number of shares held as at 30 June 2010
D F Groves	584,322
J R McConnell	19,916
J G Kennett	14,860
B J Jackson	10,500
J A Killen	6,692
R B O Burns	700
A J M Williams	354

### Remuneration report

The Board's policy on executive remuneration is designed to attract and retain high calibre staff and to reward executives for achieving financial and other business goals, which in turn, increases shareholder wealth.

Executive remuneration is structured in a manner that:

- aligns with short and long-term business targets of the Group;
- aligns the interests of executives and shareholders by providing rewards to executives for creating shareholder value; and
- is market competitive in order to attract and retain high calibre executives.

Remuneration of all executives is reviewed on an annual basis by the Remuneration and Human Resources Committee and determined with regard to current market rates, Group performance and executive performance.

Executive remuneration packages contain the following key elements:

- i. Salary – This fixed remuneration component is set annually based on the level of responsibility and market competitiveness for individual executives. There was no change to fixed remuneration paid to executives during 2009/10;
- ii. Short-Term Performance Incentives ('STiP') – This annual at-risk component is based on the achievement of key performance criteria. Achievement of budgeted profit is the prerequisite measure for any incentive amount to be awarded. Maximum cash awards are capped at up to 60% of Total Employment Cost (TEC) for each executive. No awards were made under STiP for 2009/10;

- iii. Non-monetary – Includes parking costs and fringe benefits tax;
- iv. Termination benefits – Includes leave entitlements on termination;
- v. Post employment – Includes superannuation guarantee charge ('SGC'), and other superannuation payments;
- vi. Other long-term employee benefits – Includes the movement in accrual for long service leave; and
- vii. Share-based payments – Long-Term Incentive Plan ('LTiP') and Employee Share Acquisition Plan ('ESAP'):
  - The LTiP awards (Awards) may be granted each year to selected executives under the Executive Performance Share Plan 1999. Maximum annual share-based awards are capped at up to 60% of TEC for each executive. No awards were made under LTiP for 2009/10.
  - The ESAP provides for eligible employees to receive up to \$1,000 of EQT shares per annum. These shares are held in escrow for three years, or until cessation of employment, if earlier than three years. Eligible employees are those with over three months' service and who have satisfactorily completed their probation as at 30 June 2010.
  - Commencing for the 2010/11 year employees will be able to sacrifice up to \$5,000 of salary per annum into Equity Trustee Limited shares.

In summary, the EQT executive remuneration structure comprises fixed salary and short and long term variable components. Executive package components are reviewed and structured annually to focus individuals on, and to reward achievement of, specific measures and targets with both short and medium term horizons.

#### Details of Incentive Plans

##### Short-Term Performance Incentives

These are calculated by reference to agreed key performance indicators for the year ended 30 June 2010. These include earnings per share, group profitability, revenue growth, expense control, and other performance criteria specific to the respective executive's responsibilities. These performance criteria were chosen so as to provide a suitable incentive for improved executive performance for the benefit of shareholders and other stakeholders.

The measurement of criteria is assessed by adopting a balanced scorecard approach, with each criterion given a threshold representing the minimum incentive and a stretch threshold representing an excellent achievement, for which the maximum incentive is paid. In all cases the Remuneration and Human Resources Committee confirms the appropriateness of the criteria, appropriate thresholds and, at the conclusion of the measurement period, confirms the level of achievement.

The grant date for the 2010 short-term performance incentive arrangements was 31 July 2009 and there were no alterations to terms or conditions since that date. Apart from normal staff attrition, there was no forfeiture of short-term performance incentives during the year.

For the year ended 30 June 2010 the key performance threshold being group profitability, was not achieved. Accordingly, there were no short-term executive performance incentives accrued or payable. However, at the Board's discretion a special bonus pool of modest proportion was accrued for payment to eligible staff. These payments are disclosed in Table 3.

### Long-Term Performance Incentives

These are offered to executives via the grant of Awards which confer the right to acquire shares at no cost subject to meeting prescribed performance hurdles. The details of these incentives are outlined below under the heading, Executive Share Performance Plan. The accounting cost of long-term performance incentives is spread over the measurement period, with a cost of \$165,872 accrued for the year to 30 June 2010 (2009: \$146,780).

The Board believes that the operational and financial performance of the Group over the last five years has been strong, relative to economic conditions, and it is of the view that the remuneration policy has enabled the Group to attract and retain high quality management, and that financial rewards to executives are consistent with the Group's performance.

The table below provides summary information about the Group earnings and movements in shareholder wealth for the five years to 30 June 2010:

Table 1

	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Revenue	35,277	34,501	39,631	33,063	25,342
Net profit before tax	11,477	11,250	14,755	11,807	7,211
Net profit after tax	8,045	8,012	10,565	8,144	5,156

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	\$14.50	\$21.80	\$33.00	\$18.50	\$11.10
Share price at end of year	\$15.20	\$14.50	\$21.80	\$33.00	\$18.50
Interim dividend <sup>1</sup>	50cps	50cps	50cps	30cps	20cps
Final dividend <sup>1,2</sup>	60cps	60cps	60cps	45cps	30cps
Total dividend	110cps	110cps	110cps	75cps	50cps
Basic earnings per share	96.60cps	98.45cps	133.35cps	105.18cps	69.94cps
Diluted earnings per share	96.02cps	97.93cps	131.79cps	104.28cps	69.73cps

1. All dividends are franked to 100% at 30% corporate income tax rate.
2. Declared after balance date and not reflected in the financial statements as at 30 June.

Refer to comments later in this report in relation to the link between profit outcomes and executive remuneration.

## Directors' Report for the Financial Year Ended 30 June 2010 (cont.)

### Directors' remuneration

The following table discloses the directors of Equity Trustees Limited during the year, together with remuneration entitlements. There has been no change to the fixed remuneration since 2008.

Table 2

Directors	Short-term benefits			Post-employment benefits		Long-term employee benefits	Share-based payments	Total
	Fee/salary \$	Bonus \$	Non-monetary \$	Superannuation <sup>6</sup> \$	DRA <sup>4</sup> \$	\$	Share Awards \$	
<b>Non-executive Directors</b>								
J A (Tony) Killen, Chairman								
<b>2010</b>	<b>118,917</b>	-	-	<b>16,243</b>	<b>1,440</b>	-	-	<b>136,600</b>
2009	98,580	-	-	36,580	328	-	-	135,488
D F Groves, Deputy Chairman								
<b>2010</b>	<b>80,000</b>	-	-	<b>7,200</b>	<b>2,544</b>	-	-	<b>89,744</b>
2009	61,667	-	-	25,533	6,233	-	-	93,433
J R McConnell								
<b>2010</b>	<b>54,375</b>	-	-	<b>24,650</b>	<b>1,793</b>	-	-	<b>80,818</b>
2009	24,167	-	-	54,858	4,966	-	-	83,991
B J Jackson								
<b>2010</b>	<b>49,500</b>	-	-	<b>22,440</b>	<b>2,753</b>	-	-	<b>74,693</b>
2009	-	-	-	71,940	6,717	-	-	78,657
A J M Williams								
<b>2010</b>	<b>72,500</b>	-	-	<b>6,525</b>	-	-	-	<b>79,025</b>
2009	72,500	-	-	6,525	-	-	-	79,025
J G Kennett <sup>3</sup>								
<b>2010</b>	<b>64,000</b>	-	-	<b>5,760</b>	-	-	-	<b>69,760</b>
2009	53,333	-	-	4,800	-	-	-	58,133
<b>TOTAL: NON-EXECUTIVE DIRECTORS</b>								
<b>2010</b>	<b>439,292</b>	-	-	<b>82,818</b>	<b>8,530</b>	-	-	<b>530,640</b>
2009	310,247	-	-	200,236	18,244	-	-	528,727
<b>Executive Director</b>								
R B O Burns <sup>1</sup> Managing Director								
<b>2010</b>	<b>134,839</b>	<b>50,000</b>	<b>2,008</b>	<b>4,820</b>	-	<b>354</b>	-	<b>192,021</b>
P J Williams <sup>2,5</sup> Managing Director								
<b>2010</b>	<b>224,836</b>	<b>234,000</b>	<b>5,008</b>	<b>33,200</b>	-	<b>(26,407)</b>	<b>25,479</b>	<b>496,116</b>
2009	281,782	-	8,618	99,600	-	12,068	45,296	447,364

#### Notes

1. Mr R B O Burns was appointed Managing Director on 1 March 2010. He received a one-off payment of \$50,000 in part recompense of benefits foregone on leaving his previous employer.
2. Mr P J Williams retired as Managing Director on 28 February 2010 and was paid \$234,000 as a retiring allowance.
3. Mr J G Kennett was appointed as a director on 1 September 2008.
4. DRA represents the movement in the accrual for directors' retiring allowance and is calculated in accordance with the accounting policy as outlined in note 3.7 to the financial statements. The DRA for each director was frozen as at 31 December 2005, however the frozen amounts are inflation adjusted annually for the movement in CPI.
5. The negative figure for Long-Term Employee Benefits reflects the reversal of previously accrued long service leave entitlements not payable due to retirement.
6. Superannuation includes the superannuation guarantee charge (SGC) and, in some cases, additional superannuation payments that have been sacrificed from directors' fees.



### Executive remuneration

The following table discloses the key management personnel and highest remunerated executives of the Group during the year, together with remuneration entitlements:

Table 3

Executives	Short-term employee benefits		Post employment benefits	Total salary	Bonus/incentive	Long-term employee benefits	Share-based payments <sup>5</sup>	Total
	Salary \$	Non-monetary \$	Super-annuation <sup>6</sup> \$	\$	\$	\$	\$	\$
T Ryan, CFO & Company Secretary <sup>1,2,3</sup>								
<b>2010</b>	<b>222,931</b>	<b>17,608</b>	<b>14,461</b>	<b>255,000</b>	<b>5,000</b>	<b>5,817</b>	<b>34,864</b>	<b>300,681</b>
2009	216,763	24,492	13,745	255,000	-	2,609	21,397	279,006
H H Kalman, Head of Funds Management <sup>1,2,3</sup>								
<b>2010</b>	<b>233,830</b>	<b>6,709</b>	<b>14,461</b>	<b>255,000</b>	<b>5,000</b>	<b>2,668</b>	<b>34,864</b>	<b>297,532</b>
2009	233,177	8,078	13,745	255,000	-	13,510	21,397	289,907
S R Manuell, Head of Asset Management <sup>1,2,3</sup>								
<b>2010</b>	<b>217,539</b>	<b>-</b>	<b>14,461</b>	<b>232,000</b>	<b>20,356</b>	<b>73</b>	<b>31,850</b>	<b>284,279</b>
2009	218,255	-	13,745	232,000	-	7,146	19,994	259,140
P M Maddox, Head of Fund Services and Chief Legal Officer <sup>1,2,3</sup>								
<b>2010</b>	<b>201,835</b>	<b>-</b>	<b>18,165</b>	<b>220,000</b>	<b>5,000</b>	<b>2,032</b>	<b>27,874</b>	<b>254,906</b>
2009	197,303	4,945	17,756	220,004	-	6,945	26,349	253,298
A D Young, Managing Director, Equity Trustees Superannuation Limited <sup>1,2</sup>								
<b>2010</b>	<b>171,620</b>	<b>10,380</b>	<b>50,000</b>	<b>232,000</b>	<b>5,000</b>	<b>1,135</b>	<b>3,414</b>	<b>241,549</b>
2009	126,611	9,525	95,868	232,004	-	6,188	(6,777)	231,415
L D Wraith, Head of Personal Estates & Trusts <sup>1,3,7</sup>								
<b>2010</b>	<b>174,312</b>	<b>-</b>	<b>15,688</b>	<b>190,000</b>	<b>5,000</b>	<b>1,292</b>	<b>24,727</b>	<b>221,019</b>
M S F Godfrey, Head of Wealth Management <sup>4,8</sup>								
<b>2010</b>	<b>131,822</b>	<b>-</b>	<b>9,340</b>	<b>141,162</b>	<b>-</b>	<b>(9,535)</b>	<b>(26,360)</b>	<b>105,267</b>
2009	178,306	-	13,745	192,051	-	4,949	14,319	211,319
<b>TOTAL: EXECUTIVES</b>								
<b>2010</b>	<b>1,353,889</b>	<b>34,697</b>	<b>136,576</b>	<b>1,525,162</b>	<b>45,356</b>	<b>3,482</b>	<b>131,233</b>	<b>1,705,233</b>
2009	1,170,415	47,040	168,604	1,386,059	-	41,347	96,679	1,524,085

#### Notes

1. Key management personnel of the Group.
2. Highest remunerated executives of the Group.
3. Highest remunerated executives of Equity Trustees Limited.

## Directors' Report for the Financial Year Ended 30 June 2010 (cont.)

### Notes (cont.)

4. Mr M S F Godfrey was a key management person and one of the highest remunerated executives of the Group prior to his resignation on 19 February 2010.
5. Share-based payments include the value of long-term incentive share awards and shares issued under the Employee Share Acquisition Plan. The value attributable to long-term incentive share awards is based on the accounting cost, using the fair value at grant date. For the earnings per share (EPS) criterion an assessment is made of the likely achievement of performance hurdles over the three year measurement period and the accounting cost is adjusted accordingly. The EPS criterion was not achieved for the 2007/08 series ended on 30 June 2010. For the total shareholder return (TSR) criterion the accounting standard requires the accounting cost to be spread over the measurement period regardless of the extent of achievement of the criterion. The TSR for the 2007/08 Series ended on 30 June 2010 was not achieved, however a 4th year test will be undertaken at 31 December 2010 and 30 June 2011. Regardless of the outcome of the 4th year testing, 100% of the accounting cost is charged against executive remuneration packages, even though the executive may receive a lesser award when measures are finalised. Under the Employee Share Acquisition Plan, each eligible staff member is given shares up to a value of \$1,000. All of the above key management personnel received shares to the value of \$1,000 for both 2010 and 2009, with the exception of Mr Godfrey who departed prior to the 2010 allocation.
6. Superannuation includes the superannuation guarantee charge (SGC) and, in some cases, additional superannuation payments that have been sacrificed from salary.
7. Mr Wraith became a key management person effective 1 July 2009, therefore comparative figures are not applicable.
8. The negative figures for Long-Term Employee Benefits and Share Based Payments reflects the reversal of previously accrued amounts not payable due to resignation.

Apart from the payment made to Mr Williams upon his retirement, there were no termination payments made during the year ended 30 June 2010 (2009: nil).

### Link between profit outcomes and executive remuneration

Consistent with results outlined in Table 3, apart from a modest special bonus and sales related bonuses, no short-term incentives were earned by any member of the executive team. The 2007/8 Series long-term incentives which ended 30 June 2010 were not earned, however 4th year testing in relation to the TSR criterion is still to be assessed.

### Employment agreements

The employment agreements for the Managing Director and key management personnel are ongoing, permanent full-time agreements which do not have a stipulated fixed term.

### Executive Share Performance Plan

Long-term incentives (Awards) are offered to executives under the Equity Trustees Limited Executive Performance Share Plan 1999 (the Plan). The first issue of Awards commenced with the 2005/06 Series and has continued in each subsequent year.

Two Awards were granted in 2008/09 (i.e. Awards for 2008/09 were granted in July 2008 and for 2009/2010 were granted in June 2009) so the Company could better manage expected changes proposed to employee share schemes with effect from 1 July 2009. As a result, no new awards have been made during this financial year.

The structure of the Plan approved by the Equity Trustees Limited Board Remuneration and Human Resources Committee (Remuneration Committee) forms part of the remuneration structure of eligible executives, in particular, the long-term incentive (LTI) component of remuneration.

The following is an overview of the key features of the Plan as determined by the Remuneration Committee and approved by the Board:

- the Remuneration Committee will consider and approve participants under the Plan.
- the value of the Award is determined by the Remuneration Committee.
- the number of share entitlements issued to each participant for a particular Series is calculated by dividing the value of the Award by the weighted average share price of Equity Trustees Limited shares traded during the three month period to 30 June of each year.
- the performance criteria are based on:
  - Total Shareholder Return (TSR) for the Managing Director only; and
  - Earnings per Share (EPS) for all participants.
- the criteria are selected as they are aligned to long-term growth in shareholder value.
- TSR is defined as the increase in share price over the three year measurement period, plus dividends reinvested over the three year period. This is compared to a Comparator Group based on the ASX 200 Index and a vesting scale applied.

- EPS is based on normalised operating profit before tax, which excludes approved non-operating items, such as profits/ losses on the sale of investments. The EPS is compared to the base year and a vesting scale applied to calculate earned entitlements.
- the term of each Award series is a three year period, with additional performance assessments during the 4th year, if applicable. In relation to Awards aligned to the TSR criterion, if the full Award is not achieved after the initial three year period, a 4th year measurement period is undertaken. There is no 4th year EPS performance assessment, regardless of the outcome after the initial three year period.
- each share entitlement converts to one ordinary share of Equity Trustees Limited on exercise.
- no amounts are paid or payable by participants on receipt of the share entitlements.
- the share entitlements carry neither rights to dividends nor voting rights.
- the number of share entitlements on issue is adjusted for any capital reconstructions during the measurement period.
- holders of share entitlements do not have a right, by virtue of the entitlements held, to participate in any new share issue of the company.
- the participant must be employed within the Group for the duration of the measurement period to exercise any share entitlements.
- shares are subject to forfeiture conditions during the three year measurement period.
- shares can be assigned disposal restrictions of between zero and four years which will apply to shares issued following the three year measurement period.
- dividends vest to the participant after date of issue.
- the use of hedging or derivative techniques is not permitted until shares are released from the forfeiture condition. If hedging or derivative techniques are used during the period when there is still a forfeiture condition in place, then the shares are forfeited.

In accordance with the Plan, variations to the above features may apply, where approved by the Board.

In relation to the 2007/08 Series, the EPS and TSR criteria were not achieved at the conclusion of the three year measurement period ended 30 June 2010. This has resulted in the forfeiture of 16,087 EPS awards. There are 3,372 TSR awards which will be subject to a fourth year re-test during the year ending 30 June 2011.

The following share-based payment arrangements were in existence during the period:

Award series	Number at 30 June 2010	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$	Total maximum future accounting value of Grant* \$
2009/10 Series	42,161	23/06/2009	30/06/2012	nil	12.12	340,661
2008/09 Series	18,789	30/07/2008	30/06/2011	nil	19.36	316,661
2007/08 Series	13,487	26/07/2007	30/06/2010	nil	26.79	-

\* The minimum future accounting value of each Grant is nil.

The Share entitlements were valued by PricewaterhouseCoopers using an adjusted form of the Black-Scholes Option Pricing Model that incorporates a Monte Carlo simulation analysis. The model has been modified (for Award Series prior to the 2009/10 Series) to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share entitlements vesting.

Inputs into the model	2009/10 Series	2008/09 Series
Grant date share price	\$13.45	\$23.00
Exercise price	Nil	Nil
Expected volatility	35%	35%
Share entitlement life	3 years	3 years*
Dividend yield	3.5%	3.5%
Risk-free interest rate	4.51%	6.2%

\* In accordance with the Plan, the measurement of performance criteria is at the end of the three year period ending 30 June 2011 for the 2008/09 Series, however if the performance criteria are not fully achieved, further assessments during the 4th year may apply.

## Directors' Report for the Financial Year Ended 30 June 2010 (cont.)

The following reconciles the outstanding share entitlements granted under the Plan at the beginning and end of the financial year:

	2010	2009
	Number of share entitlements	Number of share entitlements
Balance of Awards not vested at beginning of the financial year	142,605	116,250
New Awards granted during the financial year	-	75,353
Awards exercised into shares during the financial year	(30,753)	-
Awards vested during the financial year (net movement)	(4,190)	(48,998)
Awards forfeited during the year	(43,340)	-
Balance of Awards not vested at end of the financial year <sup>1</sup>	64,322	142,605
Vested and Exercisable Awards – Balance at end of the financial year <sup>1</sup>	53,189	33,808

1. Balance at end of the financial year:

The share entitlements outstanding at the end of the financial year had an exercise price of nil. The share entitlements outstanding at the end of the financial year, excluding the share entitlements exercisable at the end of financial year, had a weighted average remaining contractual life of 618 days (2009: 834 days). A further 365 days may be available if the performance criteria is not achieved at the end of the three year measurement period.

The following is a summary of movements in Awards in respect of key management personnel:

2010	Balance of Awards at 1 July 2009 No.	Awards granted as compensation No.	Awards exercised into shares No.	Awards forfeited No.	Balance of Awards at 30 June 2010 No.	Awards vested (excluding those already exercised) No.	Balance of Awards not vested at 30 June 2010 <sup>5</sup> No.
R B O Burns <sup>1</sup>	-	-	-	-	-	-	-
P J Williams <sup>2</sup>	35,036	-	(26,003)	(9,033)	-	-	-
T Ryan	27,967	-	-	(3,530)	24,437	(11,708)	12,729
H H Kalman	27,967	-	-	(3,530)	24,437	(11,708)	12,729
S R Manuell	25,940	-	-	(3,257)	22,683	(11,097)	11,586
P B Maddox	23,081	-	-	(2,057)	21,024	(10,375)	10,649
M S F Godfrey <sup>3</sup>	17,432	-	(4,750)	(12,682)	-	-	-
A D Young	1,369	-	-	(1,027)	342	-	342
L D Wraith <sup>4</sup>	5,873	-	-	-	5,873	-	5,873

2010	Balance vested but not exercisable No.	Balance vested and exercisable No.	Vested during 2010 year No.
R B O Burns <sup>1</sup>	-	-	-
P J Williams <sup>2</sup>	-	-	10,813
T Ryan	-	11,708	4,657
H H Kalman	-	11,708	4,657
S R Manuell	-	11,097	4,346
P B Maddox	-	10,375	4,056
M S F Godfrey <sup>3</sup>	-	-	3,104
A D Young	-	-	-
L D Wraith <sup>4</sup>	-	-	-

1. Mr R B O Burns was appointed Managing Director on 1 March 2010 and is not yet a participant in long-term incentive awards.
2. Mr P J Williams retired during the year and his vested awards were exercised into shares.
3. Mr M S F Godfrey resigned during the year and his vested awards were exercised into shares.
4. Mr L D Wraith became a key management person effective 1 July 2009.
5. The balance of awards not vested at 30 June 2010 does not necessarily represent awards that will be vested in the future. The balance will remain until the respective measurement periods have been completed and a final assessment is made.

2009	Balance of Awards at 1 July 2008 No.	Awards granted as compensation No.	Awards exercised into shares No.	Awards forfeited No.	Balance of Awards at 30 June 2009 No.	Awards vested (excluding those already exercised) No.	Balance of Awards not vested at 30 June 2009 No.
P J Williams	35,036	-	-	-	35,036	(15,190)	19,846
T Ryan	16,002	11,965	-	-	27,967	(7,051)	20,916
H H Kalman	16,002	11,965	-	-	27,967	(7,051)	20,916
S R Manuell	15,055	10,885	-	-	25,940	(6,751)	19,189
P B Maddox	12,759	10,322	-	-	23,081	(6,319)	16,762
M S F Godfrey	7,868	9,564	-	-	17,432	(1,646)	15,786
A D Young	1,369	-	-	-	1,369	-	1,369

2009		Balance vested but not exercisable No.	Balance vested and exercisable No.	Vested during 2009 year No.
P J Williams		15,190	-	15,190
T Ryan		-	7,051	7,051
H H Kalman		-	7,051	7,051
S R Manuell		-	6,751	6,751
P B Maddox		-	6,751	6,319
M S F Godfrey		-	1,646	1,646
A D Young		-	-	-

### Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 11 to the financial statements.

### Auditor's Independence Declaration

The auditors' independence declaration is included on page 16 of the financial report.

### Statutory Trustee

Equity Trustees Limited is authorised by the law of the state of Victoria to take in its name a Grant of Probate of the will of a deceased person. Assets and liabilities of trusts, estates and agencies for which the company acts as trustee, executor or agent, are not included in the company's financial statements.

On behalf of the directors,



**Mr Robin B O Burns**  
**Managing Director**  
**Dated 26 August 2010**

## Board of Directors' Profiles

The qualifications and experience of the Board of Directors of Equity Trustees Limited, before, during and since the year ended 30 June 2010.

### **J A (Tony) Killen – Chairman**

**BA, FAICD, FAIM**

Chairman since August 2007

Non-Executive Director since September 2002

Member of Equity Trustees' Remuneration & HR Committee since September 2004

Tony is a non-executive director of listed companies, IRESS Market Technology Ltd and Templeton Global Growth Fund Ltd. He is also a non-executive director of Catholic Church Insurances Ltd, and Chairman of CCI Investment Management Ltd and Sisters of Charity Community Care Ltd.

Tony is a former Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Ltd, having had a 36 year career with the National Mutual/AXA group. He was also Chairman of Australia's largest not-for-profit health services provider, Sisters of Charity Health Service Ltd.

### **Robin B O Burns – Managing Director**

**Dip.Acc, FAICD**

Executive Director since 1 March 2010

Robin Burns was appointed Managing Director of Equity Trustees on 1 March 2010. Before joining Equity Trustees he was, from 2002, Chief Executive Officer of Equisuper Pty Ltd, the trustee company for the Equisuper multi-employer superannuation fund.

Robin previously worked for AXA Asia Pacific, where he held the positions of General Manager, Corporate Affairs and Chief Executive, Risk Insurance and for the stockbroking firm Prudential-Bache Securities (Australia), where he was Managing Director, having joined the firm as Chief Financial Officer.

Robin has nearly 25 years of experience in the financial services industry. He gained his initial professional qualification as a chartered accountant in the UK in 1981.

### **David F Groves – Deputy Chairman**

**B.Com, M.Com, CA, FAICD**

Deputy Chairman since December 2007

Non-Executive Director since November 2000

Chairman of Equity Trustees' Audit and Compliance Committee since January 2003

David is a director of Tassal Group Ltd and Kambala, a leading Australian girls' school in Sydney. He is a member of MIR Management Limited Advisory Council and also an executive director of a number of private companies involved in viticulture and investment.

David is a former director of GrainCorp Limited, Mason Stewart Publishing, and Camelot Resources NL, and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

### **John R McConnell – Director**

**B.Com, FAICD, FAIM, F Fin**

Non-Executive Director since January 2002

Member of Equity Trustees' Audit & Compliance Committee since January 2003

John has had more than 35 years' experience in banking and finance with the ANZ Banking Group in Australia, New Zealand and the United Kingdom, where his roles included Managing Director of Corporate Banking and Retail Banking, and Deputy Managing Director of Esanda Finance Corporation Ltd.

John is director of ASG Group Ltd. John was previously a chairman of Guilford Investments Ltd, director of Housewares International Ltd and Kew East Financial Services Ltd. He was a founding director of Family Business Australia Ltd and the Melbourne Community Foundation, and is a past member of the Epworth Medical Foundation.

**Barry J Jackson – Director****B.Com (Hons), MAICD**

Non-Executive Director since September 2002

Chairman of Equity Trustees' Remuneration &amp; HR Committee since December 2007 and a member since September 2004

Barry is a former Managing Director of Pacifica Group Limited and Chief Executive of BTR Nylex's Building Products Group, with more than 30 years' experience in manufacturing and industrial marketing.

Barry is a director of Paperlinx Limited. Barry was previously a director of St Vincent's Institute of Medical Research, CSR Limited and Alesco Corporation Limited.

**Alice J M Williams – Director****B.Com, FCPA, FAICD, ASFA AIF, CFA**

Non-Executive Director since September 2007

Member of Equity Trustees' Audit &amp; Compliance Committee since September 2007

Alice has over 25 years' senior management and Board level experience in the corporate and Government sectors specialising in investment management, corporate advisory, and equity fundraising.

Alice was formerly a director of State Trustees, NM Rothschild and Sons (Australia) Limited, Director of Strategy and Planning for Ansett Australia Holdings Limited, and a Vice President at JP Morgan Australia.

Other non-executive directorships include; Djerriwarrh Investments Ltd, Defence Health, Guild Group Holdings Limited, and Victorian Funds Management Corporation. Alice is also a council member at the Cancer Council of Victoria.

**The Hon Jeffrey G Kennett AC – Director****Hon. DBus (Ballarat)**

Non-Executive Director since September 2008

Member of Equity Trustees' Remuneration &amp; HR Committee since September 2008

The Hon Jeffrey Kennett AC was an Officer in the Royal Australian Regiment, serving at home and overseas. He was a Member of the Victorian Parliament for 23 years, and was Premier of Victoria from 1992 to 1999.

Mr Kennett is currently Chairman of Open Windows Australia Proprietary Limited, Amtek Corporation Pty Ltd and beyondblue, the national depression initiative. He is also Chairman of the Board of Management of PFD Food Services Pty Ltd and a Director of Jumbuck Entertainment Limited.

He is President of the Hawthorn Football Club and patron of a number of community organisations.

In 2005, Mr Kennett was awarded the Companion of the Order of Australia.



## Auditor's Independence Declaration

# Deloitte.

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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The Board of Directors  
Equity Trustees Limited  
Level 2, 575 Bourke Street  
MELBOURNE VIC 3000

26 August 2010

Dear Board Members

### Equity Trustees Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Equity Trustees Limited.

As lead audit partner for the audit of the financial statements of Equity Trustees Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
G J McLean  
Partner  
Chartered Accountants



## Corporate Governance Statement

Equity Trustees Limited's ('EQT' or the 'company') approach to corporate governance aims to achieve long-term prosperity while meeting stakeholders' expectations of sound corporate governance practices by determining and adopting the most appropriate corporate governance arrangements.

EQT holds Registerable Superannuation Entity ('RSE') Licence L0003094 which enables it to act as trustee of registered superannuation funds, and as such, is regulated by the Australian Prudential Regulation Authority ('APRA'). EQT also holds Australian Financial Services Licence 240975 which in broad terms enables it to provide financial advice, deal in securities, act as responsible entity of registered managed investment schemes and also undertake a number of other associated services. As such it is supervised by the Australian Securities & Investments Commission ('ASIC'). EQT is listed on the Australian Securities Exchange ('ASX'). EQT's governance obligations include various APRA Governance Standards, ASX Listing Rules, the ASX Corporate Governance Council's Principles and Australian corporate law requirements.

The directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

### ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their annual report, a statement disclosing the extent to which they have followed the best practice recommendations issued by the ASX Corporate Governance Council. Listed companies must identify the Principles which have not been followed and provide reasons for the company's decision.

As detailed in this Corporate Governance Statement, EQT considers its governance practices comply with all but one of the ASX Corporate Governance Council – Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition). The Principles suggest that the company should establish a nomination committee (Principle 2), however EQT believes that the full Board itself, rather than a committee, can adequately perform this task.

### Principle 1 – Lay solid foundations for management and oversight

The Board's Charter details the composition and role and responsibilities of the Board, and its relationship with management to accomplish the Board's primary role of promoting the long-term health and prosperity of EQT.

A copy of the Board Charter is available on EQT's website.

As set out in the Board Charter, the Board has delegated specific authorities to the Managing Director and various Board and Management Committees. The Management Committees operate under approved Charters with specific authorities delegated by the Board. Under the delegated authorities, the Board has reserved a number of discretions for itself or a Board Committee. These discretions include oversight of the company, appointing and removing the Managing Director, ratifying the appointment of senior executives, providing input to and approval of corporate strategy, reviewing and monitoring risk and compliance systems, monitoring of senior executives performance and implementation of strategy, reviewing and fixing executive remuneration, capital management, and monitoring and approval of financial reporting.

The Management Committees are as follows:

#### Investment Management Committee

The primary functions of this committee include overseeing the company's asset management activities and developing its investment style and process, developing appropriate asset allocation frameworks, and assessing and reviewing external investment markets and investment managers. This committee also monitors EQT's investment portfolio.

#### Asset Review Committee

The primary functions of this committee include monitoring the performance and portfolios of the various trusts and estates administered by the company where it acts as agent, executor or trustee having regard to the company's 'prudent person' responsibilities under the Trustee Act; and the superannuation portfolios for which the company acts as trustee in light of its investment strategy responsibilities under the Superannuation Industry (Supervision) Act.

## Corporate Governance Statement (cont.)

### Due Diligence Committee

The primary functions of this committee include monitoring due diligence across the company, reviewing disclosure documents, considering proposed changes to compliance plans, constitutions and trust deeds for registered managed investment schemes and RSE's for which the company acts as responsible entity or trustee, and reviewing new business proposals for appointment as trustee or responsible entity, for recommendation to the Board.

### Superannuation Compliance Committee

The primary function of this committee is to monitor the operation of RSE's for which EQT acts as RSE licensee. The committee monitors RSE funds' investment strategies, insurance claims and payments, and financial hardship requests and payments. This committee works in conjunction with other committees in undertaking some of its functions, for example with the Due Diligence Committee, which reviews superannuation product disclosure statements.

### Funds Review Committee

The primary functions of this committee include monitoring asset allocations for internally managed funds as well as nominated company funds, within approved parameters. The committee also considers and approves new mortgage loans for the EQT Wholesale Mortgage Income Fund and develops proposals for new investment products.

### Trust Review Committee

The primary function of this committee is to formalise and monitor the decision making process for the exercise of discretion or application of power by the company, where it acts in its capacity as an agent, executor or trustee. The Committee seeks to formalise the decision making process and individual levels of authority within an appropriately constituted and accountable committee.

### Executive Performance Evaluation and Remuneration

Each executive (including the Managing Director) has business performance objectives which are linked to company objectives. Each executive (other than the Managing Director), is assessed against these objectives by the Managing Director. The assessment of the Managing Director is conducted by the Chairman after consultation with the Board. The performance criteria for each executive is set at the beginning of the year. Performance against financial criteria is reviewed monthly with a formal performance review undertaken half-yearly and at the end of the period.

Executive remuneration packages include both fixed and incentive arrangements. The object of the company's executive remuneration policy is to reflect both short-term and long-term performance objectives and to align executive rewards with shareholder value. Please see the Remuneration Report commencing on page 6 for further information on executives' remuneration.

There is currently a short-term share-based payment plan for employees, known as the Employee Share Acquisition Plan ('ESAP'). ESAP may be activated by the Board after considering the financial performance of the group for the preceding year. If activated, employees receive an annual allocation of no more than \$1,000 worth of shares in the company at no cost. Long-term executive remuneration is based on a share plan in accordance with the Executive Performance Share Plan 1999 ('the Plan'). This plan was approved at the 1999 Annual General Meeting of the company. Executive participation is approved by the Board via the Remuneration and Human Resources Committee each year.

Each of the reviews mentioned above has been completed during the period in accordance with the process.

Please refer to Principle 8 and the Directors' Report for details of directors' remuneration.

### Principle 2 – Structure the Board to add value

As at the date of the Directors' Report, the Board comprises seven directors, six of whom are independent non-executive directors and one executive director. Details of the skills, experience, relevant expertise, and terms of office of the directors are set out in the Directors' Report. The Board carries out its responsibilities according to the following mandate:

- at least two-thirds of the Board should be made up of independent non-executive directors;
- the chairman of the Board should be an independent non-executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the Board should meet at least on a monthly basis; and
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

### Skills, Experience and Expertise

The skills, experience, and expertise of each director is included in the Directors' Report.

### Independent Directors

EQT recognises that independent directors are important in providing assurance to shareholders that the Board is properly fulfilling its responsibilities. The company considers all relevant circumstances in determining whether a director is independent, including the following:

- company shares owned directly or indirectly by the director;
- employment by the company (or its associates) of the director (or a family member) either currently, or in the past;
- business relationships between the company (or associates) and the director, a family member or business entity associated with the director or with service providers in whom the director has an interest;
- any material contractual relationship with the company or its associates other than as a director; and
- any other interest or relationship which could interfere with the director's ability to act in the best interests of the company.

Following consideration of the above, the Board considers all non-executive directors to be independent.

### Relationships

At each Board meeting, directors are required to disclose any matters that may give rise to a potential or actual conflict of interest in relation to the business being considered by the Board. Any matters that are declared by a director are recorded. Depending on the interest declared, the Chairman may direct that the relevant director should temporarily leave the meeting, or remain and either participate in, or abstain from, any discussion or decision on the relevant business.

The Board encourages directors to acquire shares in EQT. It believes that this assists in aligning the interests of directors with other shareholders.

As at 30 June 2010, Mr David Groves, through related entities, held 6.96% of Equity Trustees Limited. The Board has considered the current Shareholder Register, including other substantial shareholdings and considers that Mr Groves' holding would not place him in a position of conflict nor would it enable Mr Groves to unduly influence the Board.

Other than remuneration paid to the Managing Director, director's fees, and entitlements paid to non-executive directors, there are no other material relationships between the company and any director.

### Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek reasonable independent legal and other professional advice at the company's expense concerning any aspect of EQT's operations or undertakings, in order to properly fulfil their duties and responsibilities as a director.

### Period of Office

Please see the Directors' Report for the date of appointment of each director.

### Nomination Committee

Following consideration of Principle 2, the Board has not constituted a Nomination Committee. Rather, the Board has determined, that given its current size and experience, the tasks normally undertaken by a Nomination Committee are better performed by the full Board itself.

### Board Performance

The Board regularly reviews its own overall performance, as well as the performance of its committees, individual independent directors and the Managing Director.

The Chairman is responsible for monitoring, and providing feedback to, individual directors.

Each director is also subject to peer review by fellow directors before endorsement to stand for re-election.

The Board also periodically submits itself to formal review by an external governance expert. The most recent review took place in the March quarter of 2010 and was conducted by Baker & Baptist Pty Ltd. The review concluded, *The EQT Board continues to perform strongly against the ASX's Corporate Governance Principles and Recommendations*, as well as providing a number of suggestions for improvement in the conduct of the Board's affairs into the future.

The Board also keeps under review succession planning for the ongoing development of the Board. The Board has a current succession plan to provide for orderly renewal of the Board as retirements take place in the normal course in coming years. This ensures that there is an appropriate mix of skills and experience. In relation to the possible appointment of new directors, focus is placed on the particular skills and experience which are most appropriate to the company's objectives. Any appointee must meet appropriate ethical and reputation standards.

## Corporate Governance Statement (cont.)

### Principle 3 – Promote ethical and responsible decision making

#### Code of Conduct

EQT is committed to maintaining high standards of integrity and conducting its business in accordance with high standards of ethical behaviour. As part of this commitment, the Board has adopted the Code of Practice for Statutory Trustee Organisations (as it applies to directors, employees and contractors) issued by the Trustee Corporations Association in March 2001.

The Objectives of the Code of Practice as it applies to the company include:

- defining high professional and ethical standards to be met;
- promoting disclosure of relevant and useful information to customers so as to allow them to make an informed choice; and
- promoting the delivery of trustworthy, high quality and efficient trustee and investment services.

The Code of Practice covers such matters as:

- acting with honesty and integrity, and in the best interests of customers;
- operating the business in a professional manner, acting at all times with the due care, skill and diligence required of a statutory trustee organisation;
- observing sound business practices and ensuring, amongst other things, that the company has regard to relevant industry standards/policies, and has adequate and properly documented plans, controls and maintenance mechanisms which are implemented at all levels of business;
- respecting and preserving the privacy of customers and confidentiality of their affairs;
- providing clearly expressed terms and conditions to a customer;
- making full disclosure of any fee charged or commission to be received by the company. Statements detailing account transactions are sent to clients at least every 12 months, or at any shorter intervals required by legislation; and
- having an internal dispute resolution process which provides for a fair and timely method of handling disputes, utilising appropriate external dispute resolution processes such as those prescribed under legislation (where relevant), and utilising external, impartial mediation when complaints may be otherwise unresolved.

#### Dealing in Company's Securities

EQT has implemented a Securities Dealing Policy ('Policy') which provides guidance for directors and employees regarding the acquisition and disposal of EQT securities. Whilst directors and employees are encouraged to be long-term holders of EQT's securities, it is important that care is taken in the timing of any acquisition or disposal of securities in EQT.

In particular, the Policy notes that the only appropriate time for directors and employees (and their immediate family members and any person or entity over which they have a degree of control or influence) to acquire, dispose of, or engage in other dealings in EQT's securities is when they are not in possession of price sensitive information which is not generally available to the market.

In addition, to avoid any adverse inference being drawn as to unfair dealing, the Policy provides that directors and employees should not deal in EQT's securities during the following periods (Prohibited Periods), being the two months immediately before the release of EQT's half-yearly or yearly results, and the two weeks immediately before EQT's Annual General Meeting.

All dealings in shares of the company by directors are promptly notified to the ASX.

#### Using Company Securities as Collateral

Under the Policy, directors and employees of EQT are required to exercise care if borrowing monies to purchase EQT securities, or offering EQT securities held by them as collateral, to ensure that their obligations under the borrowing arrangements do not, and cannot, conflict with their obligations under the Policy. In particular, unless a particular arrangement has been approved by the EQT Board, directors and employees are not permitted to enter into arrangements such as margin loans or arrangements involving EQT securities being provided as collateral to secure repayment of a loan, where the lender is granted a right to sell, or compel the sale of, the person's EQT securities at any time when the Policy may prohibit the person from dealing in the securities.

Under the Policy, EQT directors and employees are required to advise the Company Secretary of any arrangements to which they, or a connected person are a party, involving EQT securities being used as collateral to secure repayment of a loan or other financial accommodation.

If a particular arrangement has been approved by the EQT Board, and the EQT securities held as collateral to secure a loan represent 5% or more of EQT's issued share capital, then a notice is to be issued to the ASX outlining the arrangements.

## Principle 4 – Safeguard integrity in financial reporting

### Board Audit & Compliance Committee

The Board operates an Audit & Compliance Committee which, consistent with this Principle, consists of three directors, each of whom is an independent non-executive director. The chairman of the Audit and Compliance Committee is independent and not chairman of the Board. The current members of the Audit and Compliance Committee are:

Name	Date appointed
David F Groves (Chairman)	Committee – 1 January 2002 Chairman – 30 January 2003
John R McConnell	30 January 2003
Alice J M Williams	12 September 2007

Details of the qualifications of members and the number of meetings of the Audit & Compliance Committee attended, are set out in the Directors' Report.

The Audit & Compliance Committee operates under a formal charter which sets out various matters including its objectives, duties and responsibilities, and membership requirements. This Committee provides a forum for the effective communication between the Board and external auditors. The Audit & Compliance Committee reviews matters including:

- the annual and half-year financial statements prior to their approval by the Board;
- the effectiveness of processes and systems of internal control;
- the appointment of external auditors;
- the efficiency and effectiveness of the internal and external audit functions, including a review of the respective audit plans; and
- compliance by EQT with compliance plans developed for registered managed investment schemes for which the company acts as responsible entity.

The Audit & Compliance Committee generally invites the Managing Director, Compliance Manager, Chief Financial Officer, relevant responsible managers, and the internal and external auditors to attend its meetings. The Audit & Compliance Committee also meets with, and receives regular reports from, the internal and external auditors and Compliance Manager concerning any matters that arise in connection with the performance of their respective roles, including the adequacy of internal controls.

## Principle 5 – Make timely and balanced disclosure

The company has in place effective external disclosure procedures including a market disclosure policy which seeks to ensure that:

- there is equal and timely disclosure of the company's activities to shareholders and the market in accordance with the company's legal and regulatory obligations; and
- all stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the company.

The company provides regular updates on its financial position and performance to the market, via the ASX. It regularly reviews the Shareholder Register and provides relevant shareholder information in its Annual Report. The company maintains and periodically updates corporate governance information on its website.

In making information available, EQT seeks to do so with a balanced approach. This includes providing all factual information in a manner that will not mislead the reader.

The Board and the executive group of the company are fully aware of the obligation to comply with the ASX Listing Rules.



## Corporate Governance Statement (cont.)

### Principle 6 – Respect the rights of shareholders

#### Communication to Shareholders and the Market

The Board is committed to effective communication with its shareholders and the market and believes that shareholders should be fully informed in a timely manner of all major business events that may influence the company and its businesses.

Shareholders have the right to attend the company's annual general meeting and are encouraged to participate effectively at these meetings.

The company's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### Principle 7 – Recognise and manage risk

#### Risk Management

The Board is responsible for the company's system of internal controls. It monitors the operational and financial aspects of the company's activities and, through the Audit & Compliance Committee, considers the recommendations and advice of external and internal auditors and other external advisers on operational and financial risks that face the company. An internal audit program is approved annually by the Audit & Compliance Committee. The program is risk-based, with the Board, through the Audit & Compliance Committee receiving regular reports on the company's internal control systems.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and, where necessary, immediate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel and, in conjunction with the recommendations of the Audit & Compliance Committee, the scope and program of the internal audit function.

#### Financial Reporting

To support the company's 2010 financial reports, the Managing Director and Chief Financial Officer have confirmed in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and that operational results are in accordance with relevant accounting standards. In addition they confirm to the Board in writing that:

- the statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### External Auditors

The Audit & Compliance Committee reviews the adequacy of the external audit arrangements including the scope and quality of the audit. Where appropriate, the Audit & Compliance Committee makes a recommendation to the Board that tenders be obtained from recognised and well-regarded accounting and auditing firms to conduct future audits.

#### Audit Independence Policy

To reflect recent legislative developments, report recommendations, and accounting and audit practices, the Board has implemented an audit independence policy regarding the use of external auditors. The company will not use external auditors for:

- bookkeeping services;
- complete outsourcing of the internal audit function;
- asset or liability valuation services where material to the company's financial statements;
- any service which requires the auditors to act as an officer of the company and/or be in a decision-making role;
- litigation services where the auditor would be required to act as an advocate of the company or where the amounts involved are material to the financial statements; and
- any service prohibited by the Corporations Act 2001.

The Audit & Compliance Committee approves the provision of any non-audit services to the company or its funds where fees for the services exceed \$50,000.

## Principle 8 – Remunerate fairly and responsibly

This Principle relates to directors' remuneration.

The Board has established a Remuneration and Human Resources Committee that reviews the remuneration of all directors (including the Managing Director), within the limits approved by shareholders at an Annual General Meeting, and reviews the remuneration of executives on an annual basis. The Board approves all changes to director and executive remuneration.

In determining remuneration, the Board has regard to prevailing market levels, including remuneration surveys, to attract and retain directors and executives of high calibre to facilitate the efficient and effective management of the company's operations.

Particulars concerning directors' and executives' remuneration are set out in the financial statements and Remuneration Report. Currently directors are only entitled to their directors' fee and superannuation allowance. However, some directors have an entitlement to other retirement allowances which are no longer made available by the company. Full details of the directors' retiring allowances are contained in the Remuneration Report.

Members of the Remuneration and Human Resources Committee are:

Name	Date appointed
Barry J Jackson (Chairman)	Committee – 8 September 2004 Chairman – 4 December 2007
J A (Tony) Killen	8 September 2004
The Hon Jeffrey G Kennett AC	1 September 2008

Attendance at meetings, and qualifications and experience of the members of the committee are contained in the Directors' Report.

Non-executive directors' fees are determined by the Board within limits approved by shareholders. At the general meeting of the company held 31 October 2008, shareholders approved an aggregate limit of fees of \$750,000 p.a.

# Directors' Declaration

Equity Trustees Limited  
ABN 46 004 031 298

## Directors' Declaration for the financial year ended 30 June 2010

The directors declare that:

- a. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b. the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- c. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group; and
- d. the directors have received from the Managing Director and the Chief Financial Officer the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



**Mr Robin B O Burns**  
**Managing Director**

Melbourne, 26 August 2010





## Income Statement for the Financial Year ended 30 June 2010

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue	6	33,608,383	32,581,264	25,368,853	24,222,052
Other revenue	6	1,668,735	1,919,903	3,228,233	1,807,019
<b>Total revenue</b>	6	<b>35,277,118</b>	<b>34,501,167</b>	<b>28,597,086</b>	<b>26,029,071</b>
Employee benefits expenses	8	16,010,971	15,618,128	12,113,314	11,535,164
Other employment and consulting expenses		1,045,797	809,027	800,192	568,049
Audit and tax advice expenses		351,696	302,993	290,448	238,068
Depreciation and amortisation expenses	8	914,236	1,694,512	728,522	1,505,361
Management rights amortisation	8	197,271	197,271	-	-
Insurance expenses		486,613	480,384	410,261	408,355
Financial, legal and regulatory expenses		114,512	136,085	107,239	101,930
Marketing expenses		831,884	976,354	725,738	922,450
Information technology expenses		1,262,468	1,242,379	1,108,535	1,125,651
Occupancy expenses		1,285,516	1,192,018	908,662	938,500
Other expenses		1,298,809	229,436	1,050,506	(117,635)
Impairment of investments	8	-	373,000	-	373,000
<b>Total expenses</b>		<b>23,799,773</b>	<b>23,251,587</b>	<b>18,243,417</b>	<b>17,598,893</b>
<b>Profit before income tax expense</b>		<b>11,477,345</b>	<b>11,249,580</b>	<b>10,353,669</b>	<b>8,430,178</b>
Income tax expense	9	3,432,121	3,237,709	2,536,248	2,327,417
<b>Profit from continuing operations</b>		<b>8,045,224</b>	<b>8,011,871</b>	<b>7,817,421</b>	<b>6,102,761</b>
<b>Profit for the year</b>		<b>8,045,224</b>	<b>8,011,871</b>	<b>7,817,421</b>	<b>6,102,761</b>
<b>Profit attributable to equity holders of the parent</b>		<b>8,045,224</b>	<b>8,011,871</b>	<b>7,817,421</b>	<b>6,102,761</b>
<b>Earnings per share</b>					
- Basic (cents per share)	31	96.60	98.45		
- Diluted (cents per share)	31	96.02	97.93		

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Financial Position at 30 June 2010

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Current assets</b>					
Cash and cash equivalents	38	4,975,762	3,180,486	4,708,012	2,589,088
Trade and other receivables	12	3,788,522	3,256,853	3,840,352	3,214,412
Other current financial assets	13	4,932,618	10,097,741	4,750,618	9,919,952
Other	14	1,845,944	2,004,702	1,670,053	1,802,062
<b>Total current assets</b>		<b>15,542,846</b>	<b>18,539,782</b>	<b>14,969,035</b>	<b>17,525,514</b>
<b>Non-current assets</b>					
Trade and other receivables	15	132,167	143,994	132,167	143,994
Other financial assets	16	10,118,786	1,251,893	29,947,339	22,059,389
Reserve fund	20	-	4,800,000	-	4,800,000
Property, plant and equipment	17	1,091,274	1,105,595	898,412	828,486
Intangible assets	18	22,305,570	21,609,191	3,054,298	2,109,773
Deferred tax assets	9	1,221,239	1,193,754	1,042,893	1,036,054
Goodwill	21	8,230,331	8,230,331	-	-
<b>Total non-current assets</b>		<b>43,099,367</b>	<b>38,334,758</b>	<b>35,075,109</b>	<b>30,977,696</b>
<b>Total assets</b>		<b>58,642,213</b>	<b>56,874,540</b>	<b>50,044,144</b>	<b>48,503,210</b>
<b>Current liabilities</b>					
Trade and other payables	22	518,497	419,847	308,824	195,169
Provisions	23	1,553,753	975,846	1,444,977	850,450
Other current liabilities	24	37,914	156,634	37,914	104,735
Current tax payable	9	857,736	519,131	857,736	519,131
<b>Total current liabilities</b>		<b>2,967,900</b>	<b>2,071,458</b>	<b>2,649,451</b>	<b>1,669,485</b>
<b>Non-current liabilities</b>					
Provisions	25	1,126,982	1,154,687	809,335	863,167
Other non-current liabilities	26	91,152	84,419	141,738	191,338
Deferred tax liabilities – investment revaluation	9	519,940	654,606	519,940	654,606
<b>Total non-current liabilities</b>		<b>1,738,074</b>	<b>1,893,712</b>	<b>1,471,013</b>	<b>1,709,111</b>
<b>Total liabilities</b>		<b>4,705,974</b>	<b>3,965,170</b>	<b>4,120,464</b>	<b>3,378,596</b>
<b>Net assets</b>		<b>53,936,239</b>	<b>52,909,370</b>	<b>45,923,680</b>	<b>45,124,614</b>
<b>Equity</b>					
Issued capital	28	40,955,514	38,198,748	40,955,514	38,198,748
Investment revaluation reserve	30	1,270,071	1,553,509	1,270,071	1,553,509
Other reserves	29	573,593	2,681,739	573,593	2,681,739
Retained earnings		11,137,061	10,475,374	3,124,502	2,690,618
<b>Equity attributable to equity holders of the parent</b>		<b>53,936,239</b>	<b>52,909,370</b>	<b>45,923,680</b>	<b>45,124,614</b>
<b>Total equity</b>		<b>53,936,239</b>	<b>52,909,370</b>	<b>45,923,680</b>	<b>45,124,614</b>

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Changes in Equity for the Financial Year Ended 30 June 2010

Consolidated	Reserves					Total equity \$
	Fully paid ordinary shares \$	General & capital profit \$	Investment revaluation \$	Retained earnings \$	Equity settled employee benefits \$	
<b>Balance at 1 July 2008</b>	34,492,421	1,754,201	3,106,094	11,375,935	1,275,927	52,004,578
Profit for the period	-	-	-	8,011,871	-	8,011,871
Decrease from revaluation of available for sale investments	-	-	(1,906,168)	-	-	(1,906,168)
Related income tax	-	-	566,707	-	-	566,707
Gain on sale of available for sale investments	-	-	(669,947)	-	-	(669,947)
Related income tax	-	-	195,723	-	-	195,723
Impaired investment	-	-	373,000	-	-	373,000
Related tax	-	-	(111,900)	-	-	(111,900)
<b>Total comprehensive income for the period</b>	-	-	(1,552,585)	8,011,871	-	6,459,286
Shares issued under dividend reinvestment plan	3,074,888	-	-	-	-	3,074,888
Shares issued under employee share acquisition scheme	137,368	-	-	-	(137,368)	-
Shares issued – executive share entitlements	505,169	-	-	-	(505,169)	-
Share issue costs	(15,855)	-	-	-	-	(15,855)
Related income tax	4,757	-	-	-	-	4,757
Provision for executive share entitlements	-	-	-	-	146,780	146,780
Provision for employee share acquisition plan shares	-	-	-	-	147,368	147,368
Payment of dividends	-	-	-	(8,912,432)	-	(8,912,432)
<b>Balance at 30 June 2009</b>	38,198,748	1,754,201	1,553,509	10,475,374	927,538	52,909,370
Profit for the period	-	-	-	8,045,224	-	8,045,224
Increase from revaluation of available for sale investments	-	-	301,418	-	-	301,418
Related income tax	-	-	(77,476)	-	-	(77,476)
Gain on sale of available for sale investments	-	-	(719,522)	-	-	(719,522)
Related income tax	-	-	212,142	-	-	212,142
<b>Total comprehensive income for the period</b>	-	-	(283,438)	8,045,224	-	7,761,786
Shares issued under dividend reinvestment plan	2,102,329	-	-	-	-	2,102,329
Shares issued under employee share acquisition scheme	151,847	-	-	-	(151,847)	-
Shares issued – executive share entitlements	512,817	-	-	-	(512,817)	-
Share issue costs	(14,610)	-	-	-	-	(14,610)
Related income tax	4,383	-	-	-	-	4,383
Provision for executive share entitlements	-	-	-	-	165,872	165,872
Provision for employee share acquisition plan shares	-	-	-	-	144,847	144,847
Payment of dividends	-	-	-	(9,137,738)	-	(9,137,738)
Transfer of reserves to retained earnings	-	(1,754,201)	-	1,754,201	-	-
<b>Balance at 30 June 2010</b>	40,955,514	-	1,270,071	11,137,061	573,593	53,936,239

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Company	Reserves					
	Fully paid ordinary shares \$	General & capital profit \$	Investment revaluation \$	Retained earnings \$	Equity settled employee benefits \$	Total equity \$
<b>Balance at 1 July 2008</b>	34,492,421	1,754,201	3,106,094	5,500,289	1,275,927	46,128,932
Profit for the period	-	-	-	6,102,761	-	6,102,761
Decrease from revaluation of available for sale investments	-	-	(1,906,168)	-	-	(1,906,168)
Related income tax	-	-	566,707	-	-	566,707
Gain on sale of available for sale investments	-	-	(669,947)	-	-	(669,947)
Related income tax	-	-	195,723	-	-	195,723
Impaired investment	-	-	373,000	-	-	373,000
Related tax	-	-	(111,900)	-	-	(111,900)
<b>Total comprehensive income for the period</b>	-	-	(1,552,585)	6,102,761	-	4,550,176
Shares issued under dividend reinvestment plan	3,074,888	-	-	-	-	3,074,888
Shares issued under employee share acquisition scheme	137,368	-	-	-	(137,368)	-
Shares issued – executive share entitlements	505,169	-	-	-	(505,169)	-
Share issue costs	(15,855)	-	-	-	-	(15,855)
Related income tax	4,757	-	-	-	-	4,757
Provision for executive share entitlements	-	-	-	-	146,780	146,780
Provision for employee share acquisition plan shares	-	-	-	-	147,368	147,368
Payment of dividends	-	-	-	(8,912,432)	-	(8,912,432)
<b>Balance at 30 June 2009</b>	38,198,748	1,754,201	1,553,509	2,690,618	927,538	45,124,614
Profit for the period	-	-	-	7,817,421	-	7,817,421
Increase from revaluation of available for sale investments	-	-	301,418	-	-	301,418
Related income tax	-	-	(77,476)	-	-	(77,476)
Gain on sale of available for sale investments	-	-	(719,522)	-	-	(719,522)
Related income tax	-	-	212,142	-	-	212,142
<b>Total comprehensive income for the period</b>	-	-	(283,438)	7,817,421	-	7,533,983
Shares issued under dividend reinvestment plan	2,102,329	-	-	-	-	2,102,329
Shares issued under employee share acquisition scheme	151,847	-	-	-	(151,847)	-
Shares issued – executive share entitlements	512,817	-	-	-	(512,817)	-
Share issue costs	(14,610)	-	-	-	-	(14,610)
Related income tax	4,383	-	-	-	-	4,383
Provision for executive share entitlements	-	-	-	-	165,872	165,872
Provision for employee share acquisition plan shares	-	-	-	-	144,847	144,847
Payment of dividends	-	-	-	(9,137,738)	-	(9,137,738)
Transfer of reserves to retained earnings	-	(1,754,201)	-	1,754,201	-	-
<b>Balance at 30 June 2010</b>	40,955,514	-	1,270,071	3,124,502	573,593	45,923,680

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Comprehensive Income for the Financial Year Ended 30 June 2010

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Net profit after income tax expense from continuing operations</b>		8,045,224	8,011,871	7,817,421	6,102,761
<b>Other comprehensive income</b>					
Realised (gain)/loss on sale of available-for-sale investments		(719,522)	(669,947)	(719,522)	(669,947)
Impairment of available-for-sale investments		-	373,000	-	373,000
Increase/(decrease) from revaluation of available-for-sale investments		301,418	(1,906,168)	301,418	(1,906,168)
Income tax relating to components of other comprehensive income		134,666	650,530	134,666	650,530
<b>Total comprehensive income for the period</b>		<b>7,761,786</b>	<b>6,459,286</b>	<b>7,533,983</b>	<b>4,550,176</b>
<b>Total comprehensive income attributable to owners of the parent entity</b>		<b>7,761,786</b>	<b>6,459,286</b>	<b>7,533,983</b>	<b>4,550,176</b>

The above statements should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Cash Flows for the Financial Year Ended 30 June 2010

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		37,470,238	37,944,943	27,664,047	27,757,194
Payments to suppliers and employees		(25,821,877)	(27,249,787)	(19,072,333)	(20,285,465)
Income tax paid		(3,112,528)	(4,100,000)	(3,112,528)	(4,100,000)
<b>Net cash provided by operating activities</b>	38 (b)	8,535,833	6,595,156	5,479,186	3,371,729
<b>Cash flows from investing activities</b>					
Payment for investment securities		(5,254,343)	(1,026,525)	(5,254,343)	(1,026,525)
Proceeds on sale of investment securities		1,488,640	2,994,415	1,488,640	2,994,415
Interest received		619,326	708,509	599,329	670,686
Dividends received		178,854	365,786	178,854	365,786
Proceeds from repayment of related party loans		-	-	1,785,000	3,240,528
Payment for property, plant and equipment		(597,845)	(414,030)	(536,764)	(414,030)
Payment for intangible assets		(1,291,579)	(1,228,178)	(1,291,579)	(1,228,178)
Amounts advanced to related parties		-	-	-	(1,021,836)
Payment for businesses		-	(974,902)	-	-
<b>Net cash provided by/(used in) investing activities</b>		(4,856,947)	425,075	(3,030,863)	3,580,846
<b>Cash flows from financing activities</b>					
Dividends received from related party		-	-	1,550,000	-
Payment for share issue cost		(14,610)	(15,855)	(14,610)	(15,855)
Dividend paid to members of the parent entity (net of shares issued under dividend reinvestment plan)		(7,034,123)	(5,838,193)	(7,034,123)	(5,838,193)
<b>Net cash provided by financing activities</b>		(7,048,733)	(5,854,048)	(5,498,733)	(5,854,048)
<b>Net (decrease)/increase in cash held</b>		(3,369,847)	1,166,183	(3,050,410)	1,098,527
<b>Cash and cash equivalents at beginning of financial year</b>		13,278,227	12,112,044	12,509,040	11,410,513
<b>Cash and cash equivalents at end of financial year</b>	38 (a)	9,908,380	13,278,227	9,458,630	12,509,040

The above statement should be read in conjunction with the accompanying notes to the financial statements.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 1. General information

Equity Trustees Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol 'EQT'), incorporated in Australia and operating solely in Australia.

Equity Trustees Limited's registered office and its principal place of business is level 2, 575 Bourke Street, Melbourne, Victoria 3000, Australia. Equity Trustees Limited and its subsidiaries (refer note 35) are referred to as 'the Group' in the following notes.

## 2. Adoption of new and revised Accounting Standards

### 2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

#### Standards affecting presentation and disclosure

AASB 101 Presentation of Financial Statements (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 Operating Segments	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (refer note 36).
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

#### Standards and Interpretations affecting the reported results or financial position

There were no standards or interpretations adopted in the current period that affected reported results or financial position.

### 2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 3 Business Combinations (as revised in 2008)	<p>AASB 3 (2008) has been adopted in the current year. There were no business acquisitions during the current period. In accordance with the relevant transitional provisions, AASB 3 (2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The impact of the adoption of AASB 3 (2008) Business Combinations has been:</p> <ul style="list-style-type: none"> <li>to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;</li> <li>to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;</li> </ul>
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AASB 3 Business Combinations (as revised in 2008) (cont.)	<ul style="list-style-type: none"> <li>• where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and</li> <li>• to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.</li> </ul>
AASB 127 Consolidated and Separate Financial Statements (as revised in 2008)	<p>The revisions to AASB 127(2008) principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. There were no changes in the Group's interests in its subsidiaries during the period.</p> <p>AASB 127(2008) has been adopted for periods beginning on or after 1 July 2009. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in Australian equivalents to the International Financial Reporting Standards (A-IFRS), increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under AASB 127(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.</p> <p>When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.</p>
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 123 Borrowing Costs (as revised in 2007) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements as the Group has no borrowings.
Interpretation 17 Distributions of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are more substantive but have had no material effect on amounts reported.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 2.2 Standards and Interpretations adopted with no effect on financial statements (cont.)

AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are more substantive but have had no material effect on amounts reported.
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## 2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

There are no IASB Standards and IFRIC Interpretations also in issue but not yet effective.

### Changes in accounting policies

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

AASB 9 Financial Instruments and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139. Broadly, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. At this stage it is not proposed that the Standard be early adopted. Currently, the Group's investments are designated as available for sale and any unrealised movements are taken to an investment revaluation reserve. Where an available for sale investment suffers a significant or prolonged impairment it must be written down through the profit and loss. However, any reversal of an unrealised impairment loss on equities is not taken to profit and loss but directly to reserves. On adoption of the Standard the non-equity investments in the portfolio will be measured at fair value through the profit and loss (if they do not qualify for amortised cost accounting) and all realised and unrealised gains and losses will be taken to the income statement in relation to investments measured at fair value through profit and loss. The equity investments will either be measured at fair value through the profit and loss, or if an election is made, at fair value through the statement of other comprehensive income. In the latter case the realised and unrealised movements will be taken up through the statement of other comprehensive income.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

### 3. Significant accounting policies

#### 3.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the consolidated financial statements and notes of the Group and the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 August 2010.

#### 3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

#### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### 3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 3.4 Business combinations (cont.)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

## 3.5 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

## 3.6 Comparative amounts

When an entity changes the presentation or classification of items in its financial statements comparative amounts shall be reclassified unless the reclassification is impracticable.

When comparative amounts are reclassified, an entity shall disclose:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

## 3.7 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and directors' retiring allowance when it is probable that settlement will be required and they are capable of being measured reliably. The directors' retiring allowance was frozen as at 31 December 2005 except for an annual inflation adjustment in line with the movement in CPI.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### 3.8 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group does not have any financial assets classified as at 'fair value through profit or loss' or held-to-maturity.

#### Available-for-sale financial assets

Australian listed shares, and investments in managed investment schemes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 39. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve with the exception of impairment losses, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated

future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 3.8 Financial assets (cont.)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## 3.9 Financial instruments issued by the Company

### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated fair value through the profit and loss, are subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and

- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 3.18.

### Other financial liabilities

The financial liabilities of the Group are classified as other financial liabilities. There are no financial liabilities classified as fair value through the profit and loss. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## 3.10 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## 3.11 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **3.12 Impairment of other tangible and intangible assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **3.13 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 3.13 Income tax (cont.)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

#### Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Equity Trustees Limited is the head entity in the tax-consolidated group and the other members are identified in note 35. Tax expense/income, deferred tax

liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. The Company and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

#### Investment in tax consolidated group

Under Australian tax law, the taxable profit made by a tax consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of assets and liabilities of the leaving entity, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax consolidated group will therefore depend upon when each entity leaves the tax consolidated group and the assets and liabilities that the leaving entity holds at that time.

Because the consolidated entity has no current intention to dispose of any subsidiaries within the Group, a deferred tax liability has not been recognised in relation to investments within the tax consolidated group. Furthermore, temporary



differences that might arise on disposal of the entities in the tax consolidated group cannot be reliably measured because of their inherent uncertainties surrounding the nature of any future disposal that might occur.

### 3.14 Intangible assets

#### Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Management rights

Management rights relating to the acquisition of the Wealthpac Mastertrust business are carried at cost as a non-current intangible asset. The asset has an indefinite useful life and is accordingly not amortised but is subject to an ongoing impairment test (refer note 3.12). Management rights relating to the acquisition of the Freedom of Choice, Equity Superannuation Management, and Holdfast Fund Services businesses are recorded at cost less accumulated amortisation and accumulated impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

#### Useful lives of finite life intangible assets

The following useful lives are used in the calculation of amortisation expense:

Software	2 – 6 years
Management rights	5 – 12 years
Makegood asset	5 years

### 3.15 Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.16 Property, plant, and equipment

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on plant and equipment is recognised so as to write off the cost or valuation of the assets less their residual values over their useful lives using the straight line method. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The gain or loss arising on disposal or retirement of an item of plant, equipment or leasehold improvement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Computer and telecommunication equipment	2 – 8 years
Office furniture and equipment	1 – 15 years
Leasehold improvements	3 – 6 years

### 3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 3.17 Provisions (cont.)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 3.18 Revenue

Revenue is measured at the fair value of the consideration received or receivable on an accruals basis. Revenue is reduced for rebates and other similar allowances.

### Fee and commission income

Fee and commission income is recognised when the related service has been performed. In relation to corpus commission a percentage of revenue is recognised on completion of each stage of the estate administration starting with the grant of probate and ending with the finalisation of the estate.

### Dividend and interest revenue

Dividend and interest revenue are recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## 3.19 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The Group has two types of equity settled share-based payments: the Long Term Incentive Awards and the Employee Share Acquisition Plan.

Fair value of the Long Term Incentive Awards is measured by using an adjusted form of the Black-Scholes option pricing model that incorporates a Monte Carlo simulation analysis. The model has been modified to incorporate an estimate of the probability of achieving the performance hurdle and the number of Awards vesting. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates,

if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Where equity-settled share-based payments are intended to be made but not granted at reporting date, a provision is made in the accounts for the expected cost in relation to the reporting period. Shares issued under the Employee Share Acquisition Plan are valued at fair value determined at the date of issue to employees and this amount is expensed in the income statement with a corresponding entry in issued capital. The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. There were no cash-settled share-based payments.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty used in the preparation of the financial statements that have a significant impact on the amounts recognised in the financial statement or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Employee Entitlements

Judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future increases in on-costs; and
- experience of employee departures and probability of period of service being achieved.

### Impairment of goodwill and indefinite life management rights

Determining whether goodwill or the indefinite life management rights are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and the indefinite life management rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill is \$8,230,331 and \$19,149,514 for the management rights at 30 June 2010 (2009: \$8,230,331 goodwill and \$19,346,785 management rights). No impairment has been identified (30 June 2009: nil).

### Intangible assets

The useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

### Useful lives of property, plant and equipment

As described in note 3.16, the Group reviews the estimated useful lives of plant and equipment and leasehold improvements at the end of each annual reporting period. During this financial year, the directors have not determined any changes should be made to the useful lives of plant and equipment and leasehold improvements.

### Provisions

As referred to in note 3.17, the amounts included in provisions represents the directors' best estimate of the future outflow of economic benefits that will be required to settle identified outstanding issues.

## 5. Discontinued operations

The Group did not have any discontinued operations (2009: nil).

## 6. Revenue

An analysis of the Group's revenue from continuing operations for the year is as follows:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Revenue from service activities	33,608,383	32,581,264	25,368,853	24,222,052
Rental	-	15,060	-	-
Interest revenue:				
- Bank deposits	133,108	130,093	113,110	92,269
- Investments	397,678	595,008	397,678	595,008
Dividends from non-related companies	357,989	439,795	357,989	439,795
Dividends from wholly owned companies	-	-	1,639,496	-
Gain on sale of available-for-sale investments	719,522	669,947	719,522	669,947
Other revenue	60,438	70,000	438	10,000
	1,668,735	1,919,903	3,228,233	1,807,019
<b>Total revenue</b>	<b>35,277,118</b>	<b>34,501,167</b>	<b>28,597,086</b>	<b>26,029,071</b>

The following is an analysis of investment revenue earned on financial assets by category of asset:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Available-for-sale financial assets	1,077,511	1,109,742	1,077,511	1,109,742
Loans and receivables (including cash and bank balances)	530,786	725,101	510,788	687,277
Total investment income for financial assets not designated as at fair value through the profit and loss	1,608,297	1,834,843	1,588,299	1,797,019

## 7. Finance cost

Neither the Group nor the Company have any borrowings. The finance cost for the year is nil (2009: \$nil).

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 8. Profit for the year

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Profit/(loss) for the year has been arrived at after crediting/ (charging) the following gains and losses:				
Gain from disposal of available-for-sale investments	719,522	669,947	719,522	669,947
Loss on disposal of property, plant and equipment	(85,942)	(25,402)	(81,368)	(25,402)
	<u>633,580</u>	<u>644,545</u>	<u>638,154</u>	<u>644,545</u>
Profit for the year includes the following expenses:				
<b>Depreciation and amortisation:</b>				
Depreciation of non-current assets	489,475	646,181	354,636	508,978
Amortisation of non-current assets	424,761	1,048,331	373,886	996,383
	<u>914,236</u>	<u>1,694,512</u>	<u>728,522</u>	<u>1,505,361</u>
Amortisation of management rights	197,271	197,271	-	-
Impairment of financial asset	-	373,000	-	373,000
	<u>1,111,507</u>	<u>2,264,783</u>	<u>728,522</u>	<u>1,878,361</u>
<b>Operating lease rental expenses:</b>				
- Minimum lease payments	1,151,080	1,054,766	846,611	773,786
<b>Employee benefit expense:</b>				
Post employment benefits:				
- Defined contribution plan (Superannuation)	1,112,351	1,146,128	820,865	828,074
Share-based payments:				
- Equity-settled share-based payments	310,719	294,148	310,719	294,148
Other employee benefits	14,587,901	14,177,852	10,981,730	10,412,942
	<u>16,010,971</u>	<u>15,618,128</u>	<u>12,113,314</u>	<u>11,535,164</u>

## 9. Income taxes

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Income tax expense comprises:</b>				
Current income tax expense	3,247,845	2,622,786	2,350,737	1,776,202
Prior year tax adjustments recognised in the current year	(1,959)	(3,328)	(1,258)	(1,277)
Deferred tax expense relating to the origination and reversal of temporary differences	(25,907)	534,428	(25,373)	468,669
Deferred tax reclassified from equity to profit or loss	212,142	83,823	212,142	83,823
Total income tax expense	<u>3,432,121</u>	<u>3,237,709</u>	<u>2,536,248</u>	<u>2,327,417</u>
The income tax expense for the year can be reconciled to accounting profit as follows:				
Profit before tax from continuing operations	11,477,345	11,249,580	10,353,669	8,430,178
Income tax expense calculated at 30%	3,443,204	3,374,874	3,106,101	2,529,053
Non-deductible expenses	88,750	(29,441)	21,128	(95,963)
Non-assessable income	(3,144)	(6,092)	(494,993)	(6,092)
Tax concessions	(3,714)	-	(3,714)	-
Franked dividends	(91,016)	(98,304)	(91,016)	(98,304)
	<u>3,434,080</u>	<u>3,241,037</u>	<u>2,537,506</u>	<u>2,328,694</u>
Prior year tax adjustments	(1,959)	(3,328)	(1,258)	(1,277)
	<u>3,432,121</u>	<u>3,237,709</u>	<u>2,536,248</u>	<u>2,327,417</u>

## 9. Income taxes (cont.)

The tax rate used in the reconciliation on the previous page is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Income tax expense recognised directly in equity:</b>				
<b>Current tax:</b>				
Share issue expenses deductible over 5 years	(24,704)	(23,828)	(24,704)	(23,828)
<b>Deferred tax:</b>				
Arising on transactions with equity participants:				
Share issue expenses deductible over 5 years	20,321	19,071	20,321	19,071
Total income tax recognised directly in equity	4,383	4,757	4,383	4,757
<b>Income tax recognised in other comprehensive income</b>				
<b>Deferred tax:</b>				
Impairment of available-for-sale investments	-	(111,900)	-	(111,900)
Increase/(decrease) revaluation of available-for-sale investments	(77,476)	566,707	(77,476)	566,707
	(77,476)	454,807	(77,476)	454,807
<b>Reclassification from equity to profit and loss:</b>				
Realised (gain)/loss on sale of available-for-sale investments	212,142	195,723	212,142	195,723
	134,666	650,530	134,666	650,530
<b>Current tax liabilities:</b>				
Income tax payable	857,736	519,131	857,736	519,131
Deferred tax balances are presented in the statement of financial position as follows:				
<b>Deferred tax asset</b>	1,221,239	1,193,754	1,042,893	1,036,054
<b>Deferred tax liability – investment revaluation</b>	519,940	654,606	519,940	654,606

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 9. Income taxes (cont.)

	Consolidated			
	Opening balance \$	Charged to income \$	Charged to equity \$	Closing balance \$
<b>2010</b>				
<b>Gross deferred tax assets:</b>				
Provisions	1,069,423	33,257	-	1,102,680
Expenditure deductible over 5 years	94,171	(2,334)	(20,321)	71,516
Property, plant and equipment	107,344	252,143	-	359,487
Intangible assets	(77,184)	(235,260)	-	(312,444)
	1,193,754	47,806	(20,321)	1,221,239
<b>Gross deferred tax liabilities:</b>				
Available-for-sale investments	(654,606)	212,142	(77,476)	(519,940)
<b>2009</b>				
<b>Gross deferred tax assets:</b>				
Provisions	1,751,042	(681,619)	-	1,069,423
Expenditure deductible over 5 years	120,252	(7,010)	(19,071)	94,171
Property, plant and equipment	51,976	55,368	-	107,344
Intangible assets	(180,616)	103,432	-	(77,184)
	1,742,654	(529,829)	(19,071)	1,193,754
<b>Gross deferred tax liabilities:</b>				
Available-for-sale investments	(1,305,136)	83,823	566,707	(654,606)

	Company			
	Opening balance \$	Charged to income \$	Charged to equity \$	Closing balance \$
<b>2010</b>				
<b>Gross deferred tax assets:</b>				
Provisions	931,522	26,378	-	957,900
Expenditure deductible over 5 years	94,171	(2,334)	(20,321)	71,516
Property, plant and equipment	76,580	229,747	-	306,327
Intangible assets	(66,219)	(226,631)	-	(292,850)
	1,036,054	27,160	(20,321)	1,042,893
<b>Gross deferred tax liabilities:</b>				
Available-for-sale investments	(654,606)	212,142	(77,476)	(519,940)
<b>2009</b>				
<b>Gross deferred tax assets:</b>				
Provisions	1,538,216	(606,694)	-	931,522
Expenditure deductible over 5 years	120,252	(7,010)	(19,071)	94,171
Property, plant and equipment	42,341	34,239	-	76,580
Intangible assets	(180,616)	114,397	-	(66,219)
	1,520,193	(465,068)	(19,071)	1,036,054
<b>Gross deferred tax liabilities:</b>				
Available-for-sale investments	(1,305,136)	83,823	566,707	(654,606)

The Group has no unrecognised deferred tax balances.

### Tax consolidation

For information regarding tax consolidation, tax funding and tax sharing arrangements refer to note 3.13.

## 10. Key management personnel remuneration

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
The aggregate compensation made to key management personnel of the Company and the Group is set out below:				
Short-term employee benefits	1,433,942	1,217,455	1,246,942	1,081,319
Post employment benefits (Superannuation)	136,576	168,604	86,576	72,736
Other long-term benefits	3,482	41,347	2,347	35,159
Share awards	125,233	90,679	122,819	98,456
Employee share acquisition plan	6,000	6,000	5,000	5,000
	<b>1,705,233</b>	<b>1,524,085</b>	<b>1,463,684</b>	<b>1,292,670</b>

Full details of the remuneration of key management personnel for the year ended 30 June 2010 are outlined in the Directors' Report.

The share awards of key management personnel for the year ended 30 June 2010 are outlined in the Directors' Report.

## 11. Auditor's remuneration

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Auditors – Deloitte Touche Tohmatsu</b>				
<b>Corporate entities</b>				
<b>Audit &amp; Assurance Services</b>				
Audit and review of the consolidated financial statements	214,720	218,092	181,000	181,000
Audit services in accordance with regulatory requirements	66,754	47,076	46,617	27,868
Other assurance services	215	27,100	215	27,100
	<b>281,689</b>	<b>292,268</b>	<b>227,832</b>	<b>235,968</b>
<b>Other services</b>				
Tax compliance services in respect of Group corporate entities	62,831	23,000	62,831	23,000
Other services	-	-	-	-
Total remuneration for corporate entities	<b>344,520</b>	<b>315,268</b>	<b>290,663</b>	<b>258,968</b>
<b>Managed funds and superannuation funds*</b>				
<b>Audit &amp; Assurance Services</b>				
Audit and review of managed funds and superannuation funds	819,941	820,134	711,275	713,468
Audit services in accordance with regulatory requirements	271,290	258,879	216,670	221,209
	<b>1,091,231</b>	<b>1,079,013</b>	<b>927,945</b>	<b>934,677</b>
<b>Other services</b>				
Taxation compliance services and review of constitutions, disclosure documents and tax returns for the Group's managed funds	275,585	304,940	259,585	226,387
Total remuneration for managed funds and superannuation funds	<b>1,366,816</b>	<b>1,383,953</b>	<b>1,187,530</b>	<b>1,161,064</b>

The 'Other services' amounts paid to Deloitte Touche Tohmatsu are in accordance with the Company's auditor independence policy as outlined in the Corporate Governance Statement.

\* These fees were paid by the individual managed funds and superannuation funds.



## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 12. Current trade and other receivables

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade receivables	2,428,045	2,250,734	2,368,120	2,208,710
Allowance for doubtful debts	(10,646)	(22,142)	(10,646)	(22,142)
Other	1,371,123	1,028,261	1,482,878	1,027,844
	<u>3,788,522</u>	<u>3,256,853</u>	<u>3,840,352</u>	<u>3,214,412</u>

The trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The terms of payment for all trade receivables is 14 days from invoice date. All accounts receivable outstanding more than 30 days are monitored and actively managed. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts relating to outstanding trade receivables as determined by a specific review of outstanding accounts. Factors considered in this review include the nature of the debtor, the relationship with the debtor, length of time the debt has been outstanding and knowledge of the reason for the delaying in payment.

Before accepting significant new clients, the credit worthiness of these clients is assessed by either executive management or the Due Diligence Committee (DDC) or the Registrable Superannuation Entity Committee (SCC) depending on the type of client. Other new client credit worthiness is assessed by business managers as is appropriate to the size and nature of those clients and also whether the client has funds deposited with the Company/Group from which the Company/Group is permitted to withdraw payment of its fees.

Included within the Group's trade receivable balance are debtors with a carrying amount of \$383,711 (2009: \$311,770) which are past due at the reporting date but these have not been provided for as there has not been a significant change in credit quality and the amounts are considered recoverable. The Group does not hold any collateral over these balances.

Other receivables include corpus commission, dividends and interest receivable. These receivables are with Australian stock exchange listed companies, Australian banks, Australian managed investment schemes and client accounts administered by the Company. These amounts are all considered recoverable.

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Trade receivables ageing of past due but not impaired</b>				
Under 30 days	241,538	175,303	181,612	141,038
30 – 60 days	21,075	90,962	21,075	86,562
Over 60 days	121,098	45,505	121,098	42,146
	<u>383,711</u>	<u>311,770</u>	<u>323,785</u>	<u>269,746</u>

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Movement in the allowance for doubtful debts</b>				
<b>Balance at beginning of the year</b>	(22,142)	(91,880)	(22,142)	(91,880)
Impairment losses recognised on trade receivables	(16,656)	(28,608)	(16,656)	(28,608)
Amounts written off as uncollectible	1,820	12,676	1,820	12,676
Impairment losses reversed	26,332	85,670	26,332	85,670
<b>Balance at end of the year</b>	<u>(10,646)</u>	<u>(22,142)</u>	<u>(10,646)</u>	<u>(22,142)</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.



### 13. Other current financial assets

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash and cash equivalents – short-term deposits	4,932,618	10,097,741	4,750,618	9,919,952

### 14. Other current assets

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Prepayments	508,050	680,945	472,160	640,789
Accrued income	1,337,894	1,323,757	1,197,893	1,161,273
	1,845,944	2,004,702	1,670,053	1,802,062

### 15. Non-current trade and other receivables

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Corpus commission earned but not collected	132,167	143,994	132,167	143,994

### 16. Other non-current financial assets

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Investments in subsidiaries at cost:</b>				
Shares in subsidiaries	-	-	4,188,733	4,188,733
<b>Available-for-sale investments carried at fair value:</b>				
Australian equities, hybrid shares and managed investments schemes	10,118,786	1,251,893	10,118,786	1,251,893
<b>Loans carried at amortised cost:</b>				
Intercompany loans	-	-	15,639,820	16,618,763
<b>Total</b>	10,118,786	1,251,893	29,947,339	22,059,389

The intercompany loans are non-interest bearing and repayable on demand.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 17. Property, plant and equipment

	Consolidated			
	Computer & telecom equipment at cost \$	Leasehold improvements at cost \$	Office furniture & equipment at cost \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2008</b>	1,353,812	885,501	470,360	2,709,673
Additions	229,827	38,435	14,956	283,218
Disposals	(7,448)	-	(5,765)	(13,213)
<b>Balance at 1 July 2009</b>	1,576,191	923,936	479,551	2,979,678
Additions	463,162	6,963	41,020	511,145
Disposals	(301,075)	(12,415)	(1,524)	(315,014)
<b>Balance at 30 June 2010</b>	1,738,278	918,484	519,047	3,175,809
<b>Accumulated depreciation/amortisation and impairment</b>				
<b>Balance at 1 July 2008</b>	520,509	480,449	238,099	1,239,057
Disposals	(5,389)	-	(5,766)	(11,155)
Depreciation expense	341,134	232,553	72,494	646,181
<b>Balance at 1 July 2009</b>	856,254	713,002	304,827	1,874,083
Disposals	(266,571)	(11,144)	(1,308)	(279,023)
Depreciation expense	315,705	107,477	66,293	489,475
<b>Balance at 30 June 2010</b>	905,388	809,335	369,812	2,084,535
<b>Net book value</b>				
As at 30 June 2009	719,937	210,934	174,724	1,105,595
As at 30 June 2010	832,890	109,149	149,235	1,091,274

## 17. Property, plant and equipment (cont.)

	Company			
	Computer & telecom equipment at cost \$	Leasehold improvements at cost \$	Office furniture & equipment at cost \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2008</b>	1,164,175	606,401	286,331	2,056,907
Additions	224,298	38,435	13,504	276,237
Disposals	(7,448)	-	(2,932)	(10,380)
<b>Balance at 1 July 2009</b>	1,381,025	644,836	296,903	2,322,764
Additions	428,890	6,963	19,765	455,618
Disposals	(284,475)	(12,415)	(1,525)	(298,415)
<b>Balance at 30 June 2010</b>	1,525,440	639,384	315,143	2,479,967
<b>Accumulated depreciation/amortisation and impairment</b>				
<b>Balance at 1 July 2008</b>	441,340	374,027	178,255	993,622
Disposals	(5,389)	-	(2,933)	(8,322)
Depreciation expense	297,597	176,713	34,668	508,978
<b>Balance at 1 July 2009</b>	733,548	550,740	209,990	1,494,278
Disposals	(254,907)	(11,144)	(1,308)	(267,359)
Depreciation expense	273,080	51,622	29,934	354,636
<b>Balance at 30 June 2010</b>	751,721	591,218	238,616	1,581,555
<b>Net book value</b>				
As at 30 June 2009	647,477	94,096	86,913	828,486
As at 30 June 2010	773,719	48,166	76,527	898,412

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Aggregate depreciation recognised as an expense during the year:				
Computer and telecom equipment	315,705	341,134	273,080	297,597
Leasehold improvements	107,477	232,553	51,622	176,713
Office furniture and equipment	66,293	72,494	29,934	34,668
	489,475	646,181	354,636	508,978

No depreciation was capitalised.

Depreciation expense is included in the line item 'depreciation and amortisation expenses' of the income statement.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 18. Intangible assets

	Consolidated			
	Computer Software \$	Leasehold makegood \$	Management rights \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2008</b>	3,190,013	427,311	19,797,436	23,414,760
Additions	1,365,971	-	-	1,365,971
Disposals	(199,081)	-	-	(199,081)
Adjustment to purchase price	-	-	(107,828)	(107,828)
<b>Balance at 1 July 2009</b>	4,356,903	427,311	19,689,608	24,473,822
Additions	1,373,071	-	-	1,373,071
Disposals	(1,450,860)	(327,311)	-	(1,778,171)
<b>Balance at 30 June 2010</b>	4,279,114	100,000	19,689,608	24,068,722
<b>Accumulated amortisation and impairment</b>				
<b>Balance at 1 July 2008</b>	1,293,111	355,596	145,552	1,794,259
Amortisation expense <sup>i</sup>	1,022,474	25,857	197,271	1,245,602
Disposals	(175,230)	-	-	(175,230)
<b>Balance at 1 July 2009</b>	2,140,355	381,453	342,823	2,864,631
Amortisation expense <sup>i</sup>	398,903	25,858	197,271	622,032
Disposals	(1,396,200)	(327,311)	-	(1,723,511)
<b>Balance at 30 June 2010</b>	1,143,058	80,000	540,094	1,763,152
<b>Net book value</b>				
As at 30 June 2009	2,216,548	45,858	19,346,785	21,609,191
As at 30 June 2010	3,136,056	20,000	19,149,514	22,305,570

	Company			
	Computer Software \$	Leasehold makegood \$	Management rights \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2008</b>	3,014,216	327,311	-	3,341,527
Additions	1,365,971	-	-	1,365,971
Disposals	(199,081)	-	-	(199,081)
<b>Balance at 1 July 2009</b>	4,181,106	327,311	-	4,508,417
Additions	1,373,071	-	-	1,373,071
Disposals	(1,450,860)	(327,311)	-	(1,778,171)
<b>Balance at 30 June 2010</b>	4,103,317	-	-	4,103,317
<b>Accumulated amortisation and impairment</b>				
<b>Balance at 1 July 2008</b>	1,261,895	315,596	-	1,577,491
Amortisation expense <sup>i</sup>	990,526	5,857	-	996,383
Disposals	(175,230)	-	-	(175,230)
<b>Balance at 1 July 2009</b>	2,077,191	321,453	-	2,398,644
Amortisation expense <sup>i</sup>	368,028	5,858	-	373,886
Disposals	(1,396,200)	(327,311)	-	(1,723,511)
<b>Balance at 30 June 2010</b>	1,049,019	-	-	1,049,019
<b>Net book value</b>				
As at 30 June 2009	2,103,915	5,858	-	2,109,773
As at 30 June 2010	3,054,298	-	-	3,054,298

i. Amortisation expense is included in the line item 'depreciation and amortisation expenses' of the income statement.

## 18. Intangible assets (cont.)

### Significant intangible assets

The Group holds the following management rights. The Wealthpac Master Trust management rights have an indefinite life and the other management rights have finite lives.

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Wealthpac Master Trust	17,937,616	17,937,616	-	-
Freedom of Choice	759,978	845,419	-	-
Equity Superannuation Management Pty Ltd	205,199	244,915	-	-
Holdfast Fund Services Pty Limited	246,721	318,835	-	-
	19,149,514	19,346,785	-	-

The indefinite life management rights have been allocated for impairment testing purposes to the Equity Trustees Superannuation Limited Group ('ETSL Group') cash-generating unit. The carrying amount of the indefinite life management rights allocated to the ETSL Group cash-generating unit is \$17,937,616.

Details of the Equity Trustees Superannuation Limited Group cash generating unit, the value-in-use calculation of the recoverable amount and key assumptions are contained in note 21.

Management has reviewed the useful life of the indefinite life management rights and has determined that these management rights continue to have an indefinite life. In undertaking this review management has considered the economic, competitor and political environment in relation to the superannuation industry, the contractual rights and contractual relationships in relation to these management rights, and ability of the management rights to continue to have value into the foreseeable future.

## 19. Reserve fund

Equity Trustees Limited was previously required to maintain a Reserve Fund in accordance with section 36 of the Trustee Companies Act 1984 (the Act). This section has been repealed and from May 2010 Equity Trustees Limited is no longer required to maintain a Reserve Fund.

Prior to the repeal of section 36, a Reserve Fund was required to be provided, the value of which was not to be less than five-tenths of one per centum of the value of that part of the trust estates in Victoria committed to the administration of the trustee company and five-tenths of one per centum of the value of money received in Victoria for investment in a Common Fund to which Section 4 (1)(m) of the Trustee Act 1958 applies.

## 20. Reserve fund investments

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Australian equities, hybrid shares and managed investment schemes	-	4,800,000	-	4,800,000

The Reserve Fund calculation is no longer required at 30 June 2010 (2009: \$4,780,747).

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 21. Goodwill

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Cost	8,230,331	8,230,331	-	-
Accumulated impairment losses	-	-	-	-
	8,230,331	8,230,331	-	-
Balance at beginning of the financial year	8,230,331	8,620,303	-	-
Amounts recognised from business combinations occurring during the year	-	-	-	-
Adjustment on finalisation of acquisition accounting		(389,972)	-	-
Balance at end of the financial year	8,230,331	8,230,331	-	-

There are no accumulated impairment losses (2009: nil).

During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment had occurred (2009: nil).

### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Equity Trustees Superannuation Limited Group (ETSL Group)
- Equity Trustees Limited – Funds Management Segment (FM Segment)

The carrying amounts of goodwill allocated to the ETSL Group and FM Segment are significant in comparison with the total carrying amount of goodwill. The carrying amount of goodwill was allocated to the following cash-generating units:

	Consolidated	
	2010 \$	2009 \$
ETSL Group	4,550,588	4,550,588
FM Segment	3,679,743	3,679,743
	8,230,331	8,230,331

### Groups of cash-generating units

#### Equity Trustees Superannuation Limited Group (ETSL Group)

ETSL Group comprises of Equity Trustees Superannuation Limited ('ETSL'), Equity Superannuation Management Pty Limited ('ESM'), Equity Investment Management Limited ('EIML') and two non-trading subsidiaries. These companies effectively operate as a single business to provide superannuation services.

The recoverable amount of the ETSL Group is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a further 25 year period based on a conservative rate of growth. These cashflows are discounted at an appropriate risk adjusted rate. Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the ETSL Group.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management, basis point fee levels, and expense growth rate.

#### Equity Trustees Limited – Funds Management Segment (FM segment)

The goodwill relating to the Holdfast Fund Services business has been allocated to the FM segment due to synergistic benefits provided by the FM segment to the Holdfast Fund Services business. The recoverable amount of the FM segment is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a further 25 year period based on a conservative rate of growth. These cashflows are discounted at an appropriate risk adjusted rate. Management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the FM segment.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management, basis point fee levels, and expense growth rate.

## 22. Current trade and other payables

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade payables <sup>i</sup>	299,364	243,298	154,124	89,727
Goods and services tax payable	219,133	176,549	154,700	105,442
	518,497	419,847	308,824	195,169

i. The Group's policy is to pay all invoices within 30 days of receipt. No interest charges have been incurred on trade payables.

## 23. Current provisions

	Consolidated				
	Claims <sup>i</sup> \$	Equity Trustees Foundation Donation <sup>ii</sup> \$	Employee Benefits (note 27) \$	Other <sup>iii</sup> \$	Total \$
<b>Balance at 1 July 2009</b>	-	106,000	655,309	214,537	975,846
Additional provisions recognised	200,000	110,000	-	319,445	629,445
Decrease arising from payments	-	(106,000)	-	(186,155)	(292,155)
Decrease arising from re-measurement or settlement without cost	-	-	-	(28,382)	(28,382)
Other movements	-	-	268,999	-	268,999
<b>Balance at 30 June 2010</b>	200,000	110,000	924,308	319,445	1,553,753

	Company				
	Claims <sup>i</sup> \$	Equity Trustees Foundation Donation <sup>ii</sup> \$	Employee Benefits (note 27) \$	Other <sup>iii</sup> \$	Total \$
<b>Balance at 1 July 2009</b>	-	106,000	533,912	210,538	850,450
Additional provision recognised	200,000	110,000	-	315,444	625,444
Decrease arising from payments	-	(106,000)	-	(182,156)	(288,156)
Decrease arising from re-measurement or settlement without cost	-	-	-	(28,382)	(28,382)
Other movements	-	-	285,621	-	285,621
<b>Balance at 30 June 2010</b>	200,000	110,000	819,533	315,444	1,444,977

- i. The claim provision represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required to settle the current outstanding issue that has been provided for (2009: nil).
- ii. The Equity Trustees Foundation donation provision is the directors' best estimate of the amount that will be donated to the Equity Trustees Foundation in accordance with the Group's policy of donating one percent of before tax operating profit (excluding profit on sale of investments and investment write-downs).
- iii. Other provision includes the directors' best estimate of amounts required to meet fringe benefit tax and other trade payment obligations that are owing.

## 24. Other current liabilities

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>At amortised cost</b>				
Corpus commission collected but not earned	33,846	71,812	33,846	71,812
Other	4,068	84,822	4,068	32,923
	37,914	156,634	37,914	104,735

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 25. Non-current provisions

	Consolidated		
	Makegood <sup>i</sup> \$	Employee Benefits (note 27) \$	Total \$
<b>Balance at 1 July 2009</b>	117,573	1,037,114	1,154,687
Decrease arising from payments	(10,000)	-	(10,000)
Decrease arising from re-measurement or settlement without cost	(7,573)	-	(7,573)
Other movements	-	(10,132)	(10,132)
<b>Balance at 30 June 2010</b>	100,000	1,026,982	1,126,982

	Company		
	Makegood <sup>i</sup> \$	Employee Benefits (note 27) \$	Total \$
<b>Balance at 1 July 2009</b>	17,573	845,594	863,167
Decrease arising from payments	(10,000)	-	(10,000)
Decrease arising from re-measurement or settlement without cost	(7,573)	-	(7,573)
Other movements	-	(36,259)	(36,259)
<b>Balance at 30 June 2010</b>	-	809,335	809,335

- i. The makegood provision represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required to settle the Group's obligations to makegood its leased premises at the end of the leases.

### 26. Other non-current liabilities

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Amounts owing to controlled entity	-	-	100,010	156,343
Lease related liabilities	56,157	49,424	6,733	-
Corpus commission collected but not earned	34,995	34,995	34,995	34,995
	91,152	84,419	141,738	191,338



## 27. Employee benefits

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>The aggregate employee benefits liability recognised and included in the financial statements is as follows:</b>				
<b>Provision for employee benefits:</b>				
Current (note 23)				
- Annual leave	401,557	402,237	302,420	284,447
- Long service leave	31,835	25,382	26,197	21,775
- Bonus	440,569	227,690	440,569	227,690
- Directors' retiring allowance	50,347	-	50,347	-
	924,308	655,309	819,533	533,912
Non-current (note 25)				
- Annual leave	176,253	176,835	115,986	103,691
- Long service leave	622,683	590,416	465,303	472,040
- Directors' retiring allowance	228,046	269,863	228,046	269,863
	1,026,982	1,037,114	809,335	845,594
	1,951,290	1,692,423	1,628,868	1,379,506

The above employee benefit provisions are the directors' best estimate of the future outflow of economic benefits that will be required to settle these future payment obligations.

## 28. Issued capital

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
8,398,724 fully paid ordinary shares (2009: 8,235,771)	40,955,514	38,198,748	40,955,514	38,198,748

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2010		2009	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
<b>Balance at beginning of financial year</b>	8,235,771	38,198,748	7,998,511	34,492,421
Shares issued under employee share scheme	8,030	151,847	5,838	137,368
Shares issued – executive share entitlement	34,944	512,817	48,998	505,169
Shares issued under dividend reinvestment plan ('DRP')	119,979	2,102,329	182,424	3,074,888
Share issue costs net of tax	-	(10,227)	-	(11,098)
<b>Balance at end of financial year</b>	8,398,724	40,955,514	8,235,771	38,198,748

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Share Awards

In accordance with the provisions of the Equity Trustees Limited Executive Performance Share Plan 1999 (the Plan), as at 30 June 2010, eligible executives have share entitlements over 64,322 ordinary shares (2009: 191,603), in aggregate. Further details of the Plan are contained in the remuneration report within the Directors' Report.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 29. Other reserves

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
General <sup>i</sup>	-	1,500,000	-	1,500,000
Employee equity-settled benefits <sup>ii</sup>	573,593	927,538	573,593	927,538
Capital profits <sup>iii</sup>	-	254,201	-	254,201
	573,593	2,681,739	573,593	2,681,739

The movement in the above reserve accounts is shown in the statement of changes in equity.

i. General reserve

The general reserve was established in the 1980s. During the year ended 30 June 2010 this reserve was transferred to retained earnings.

ii. Employee equity-settled benefits reserve

The employee equity-settled benefits reserve arises on the granting of share entitlements to eligible employees under the Equity Trustees Limited Executive Performance Share Plan 1999 (the Plan) (refer Directors' Report) and on the provision for shares to be issued to staff under the Employee Share Acquisition Plan (ESAP). The ESAP is in place to allow eligible employees to participate in share allotments as approved by the Board on an on-going basis as deemed appropriate. The Board has approved the issue of shares under the ESAP in relation to the financial year ended 30 June 2010 but as at that date these shares had not been issued. Amounts are transferred out of this reserve and into issued capital when shares are issued under the Plan or when shares are granted under the ESAP.

iii. Capital profits reserve

The capital profits reserve was established on the transfer of profits arising from capital transactions. During the year ended 30 June 2010 this reserve was transferred to retained earnings.

## 30. Investment revaluation reserve

The movement in the investment revaluation reserve account is shown in the statement of changes in equity.

The investment revaluation reserve arises on the revaluation of investment financial assets that are accounted for as available-for-sale (refer note 3.8). Where a revalued asset is sold, that part of the revaluation reserve that relates to the sold asset is transferred to the income statement and where a revalued asset is impaired, the portion of the reserve which exceeds the fair value of the impaired asset is transferred to the income statement.

## 31. Earnings per share

	Consolidated	
	2010 cents per share	2009 cents per share
Basic earnings per share	96.60	98.45
Diluted earnings per share	96.02	97.93

	Consolidated	
	2010 \$	2009 \$
<b>Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings	8,045,224	8,011,871
	2010 No.	2009 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,327,986	8,138,288

### 31. Earnings per share (cont.)

	Consolidated	
	2010 \$	2009 \$
<b>Diluted earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings	8,045,224	8,011,871
	2010 No.	2009 No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,378,335	8,180,923

There were no discontinued operations (2009: nil).

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2010 No.	2009 No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	8,327,986	8,138,288
Shares deemed to be issued for no consideration in respect of employee share entitlements	50,349	42,635
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	8,378,335	8,180,923

### 32. Dividends

	2010		2009	
	Cents per share	\$	Cents per share	\$
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Interim dividend: Fully franked (Prior year: Fully franked)	50	4,170,832	50	4,080,424
Final dividend: Fully franked (Prior year: Fully franked)	60	4,966,906	60	4,832,008
		9,137,738		8,912,432
<b>Unrecognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend: Fully franked (Prior year: Fully franked)	60	5,039,234	60	4,941,463

	Company	
	2010 \$	2009 \$
Franking account balance at 1 July	7,838,604	7,431,306
Tax paid	3,112,528	4,086,477
Franking credits received	137,669	140,435
Franking credits attached to interim and final dividends	(3,916,173)	(3,819,614)
Franking account balance at 30 June	7,172,628	7,838,604
Franking credits that will arise from income tax payable at reporting date	857,736	519,131
Franking credits that will arise from receipt of dividends recognised as receivables at reporting date	5,347	6,879
Franking credits to be attached to dividends declared but not recognised	(2,159,672)	(2,117,770)
Net franking credits available	5,876,039	6,246,844

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 33. Commitments for expenditure

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Capital expenditure commitments</b>				
<b>Intangible assets</b>				
Not longer than 1 year	315,075	250,000	315,075	250,000
1 to 5 years	-	-	-	-
	<u>315,075</u>	<u>250,000</u>	<u>315,075</u>	<u>250,000</u>
<b>Plant and equipment</b>				
Not longer than 1 year	-	27,365	-	-

#### Operating lease commitments

There are three non-cancellable property leases with rent payable in advance as follows:

- Expiring 16 December 2015 with annual increase of a minimum of 3.25% p.a. and maximum of 5.25%.
- Expiring 31 March 2013, with annual increase of 4.5% p.a.
- Expiring 30 June 2011, in relation to a controlled entity.

There is a printer lease with an expiry date of 30 April 2015 which covers a number of printers. These leases have minimum monthly lease payments and additional charges if usage exceeds a set number of monthly prints.

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Non-cancellable operating lease payments</b>				
Not longer than 1 year	1,292,863	1,211,740	885,305	819,857
Longer than 1 year and not longer than 5 years	3,997,459	647,030	3,997,459	239,472
	<u>5,290,322</u>	<u>1,858,770</u>	<u>4,882,764</u>	<u>1,059,329</u>

In respect of non-cancellable operating leases the following liabilities have been recognised:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Lease incentives</b>				
Current	140,891	49,424	91,467	-
Non-current	408,468	49,424	408,468	-
	<u>549,359</u>	<u>98,848</u>	<u>499,935</u>	<u>-</u>

The Group has no onerous lease contracts.

There are no non-cancellable operating sub-leases (2009: no non-cancellable operating sublease).

### 34. Contingent liabilities and assets

Contingent liabilities exist in respect of certain trust and estate accounts that are overdrawn, however, these contingent liabilities are mitigated by the assets held by these trust and estate accounts which are considered ample to cover any contingent liability. This position is unchanged from 30 June 2009.

There are no contingent assets (2009: nil).

### 35. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2010	2009
<b>Parent entity</b>			
Equity Trustees Limited	Australia		
<b>Subsidiaries</b>			
Equity Nominees Limited	Australia	100%	100%
Equity Investment Management Limited	Australia	100%	100%
Equity Trustees Superannuation Limited	Australia	100%	100%
Equity Superannuation Management Pty Limited	Australia	100%	100%
Super.com. Pty Limited	Australia	100%	100%
Super.com.au Pty Limited	Australia	100%	100%
Holdfast Fund Services Pty Limited	Australia	100%	100%

Equity Trustees Limited is the head entity within the tax consolidated group.

All the above subsidiaries are members of the tax consolidated group.

### 36. Segment information

The Group has adopted AASB 8 Operating Segments (AASB 8) with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

#### Products and services from which reportable segments derive their revenues

In prior years, segment information reported externally was analysed on groupings of financial services provided by the Group's operating divisions. The Group's operating segments under AASB 8 have been identified based on information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The operating segments have been aggregated to form the reportable segments which are outlined below:

#### Wealth Services

The provision of personal asset management services, including wealth management, trust management, estate planning, executorial, taxation, philanthropic services, and a full service trustee, administration and investment service to employer superannuation funds.

#### Investment Funds

A range of services to Australian managed investment schemes, Corporate Trusts and Superannuation schemes including management, facilitation of distribution, responsible entity and trustees roles, compliance and risk management.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of AASB 8. The accounting policies of the reportable segments under AASB 8 are the same as the Group's accounting policies.

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 36. Segment information (cont.)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment. There were no discontinued operations (2009: nil).

	Consolidated	
	2010 \$	2009 \$
<b>Segment revenue</b>		
Wealth Services	19,204,491	18,629,154
Investment Funds	14,464,330	14,037,170
	33,668,821	32,666,324
Investment revenue	1,608,297	1,834,843
Total revenue per income statement	35,277,118	34,501,167

The revenue reported above represents revenue generated from external customers. There were no inter-segment revenues (2009: nil). No single customer accounts for 10% or more of the Group's revenue.

	Consolidated	
	2010 \$	2009 \$
<b>Segment net profit before tax</b>		
Wealth Services	7,145,104	6,368,783
Investment Funds	7,935,300	7,679,966
	15,080,404	14,048,749
Other unallocated expenditure	(5,211,356)	(4,261,012)
Investment revenue	1,608,297	1,834,843
Investment impairment	-	(373,000)
<b>Total net profit before tax per statement of income</b>	11,477,345	11,249,580

Segment profit represents the contribution earned by each segment without the allocation of central administration or support business unit costs, investment portfolio income, or income tax. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

	Consolidated	
	2010 \$	2009 \$
<b>Revenue by product and service</b>		
Wealth management and administration services	10,904,523	10,184,882
Superannuation	8,299,968	8,444,272
Fund services and administration	14,464,330	14,037,170
	33,668,821	32,666,324

	Consolidated	
	2010 \$	2009 \$
<b>Segment assets</b>		
Wealth Services	27,130,273	27,238,114
Investment Funds	6,184,876	6,256,303
Unallocated	25,327,064	23,380,123
<b>Total assets per the statement of financial position</b>	58,642,213	56,874,540

For the purpose of monitoring performance the chief operating decision maker reviews balance sheet items for the Group as a whole. The Group's assets and liabilities are not allocated to the reportable segments for management reporting purposes. The above segment assets are the assets directly attributable to each reportable segment. Shared assets have not been allocated to the reportable segments.

#### Geographic segment

The Group operates only in Australia which is treated as one geographic segment.

## 37. Related party disclosures

### Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 35 to the financial statements.

The Company does not hold any interests in associates, joint ventures or other related parties.

### Transactions with key management personnel

#### a. Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 10 to the financial statements and in the Directors' Report.

#### b. Loans to key management personnel

The Group had nil key management personnel loans as at 30 June 2010 (2009: \$nil).

#### c. Director and key management personnel equity holdings

Director and key management personnel relevant interests in fully paid ordinary shares of Equity Trustees Limited are as follows:

Consolidated	Balance at 1 Jul 09 No.	Net change No.	Balance at 30 Jun 10 No.	Balance held nominally No.
<b>2010</b>				
<b>Directors</b>				
D F Groves	579,858	4,464	584,322	-
J R McConnell	20,108	(192)	19,916	-
J G Kennett	13,970	890	14,860	-
B J Jackson	10,500	-	10,500	-
J A Killen	6,356	336	6,692	-
A J M Williams	333	21	354	-
P J Williams <sup>i</sup>	20,997	-	-	-
R B O Burns <sup>ii</sup>	-	700	700	-
<b>Key management personnel</b>				
H H Kalman	16,400	4,755	21,155	-
T Ryan	8,778	5,572	14,350	-
P B Maddox	7,991	4,881	12,872	-
S R Manuell	7,965	4,481	12,446	-
A D Young	1,045	55	1,100	-
L D Wraith <sup>iii</sup>	42	55	97	-
M S F Godfrey <sup>iv</sup>	2,181	-	-	-

i. Mr Williams retired on 28 February 2010.

ii. Mr Burns joined on 1 March 2010.

iii. Mr Wraith became a key management person on 1 July 2009.

iv. Mr Godfrey resigned on 19 February 2010.



## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 37. Related party disclosures (cont.)

Consolidated	Balance at 1 Jul 08 No.	Net change No.	Balance at 30 Jun 09 No.	Balance held nominally No.
<b>2009</b>				
<b>Directors</b>				
D F Groves	558,456	21,402	579,858	-
J R McConnell	19,426	682	20,108	-
J G Kennett	-	13,970	13,970	-
B J Jackson	10,500	-	10,500	-
J A Killen	6,000	356	6,356	-
A J M Williams	310	23	333	-
P J Williams	5,414	15,583	20,997	-
<b>Key management personnel</b>				
H H Kalman	9,012	7,388	16,400	-
T Ryan	1,091	7,687	8,778	-
P B Maddox	1,089	6,902	7,991	-
S R Manuell	1,089	6,876	7,965	-
M S F Godfrey	346	1,835	2,181	-
A D Young	1,003	42	1,045	-

In accordance with the 2006/07 Series of the Executive Performance Share Plan 1999, there were 31,663 ordinary shares issued to key management personnel during the year ended 30 June 2010 (2009: 28,818).

#### d. Entitlements to shares of Equity Trustees Limited issued under the Executive Performance Share Plan 1999

Details of entitlements to Equity Trustees Limited shares issued under the Executive Performance Share Plan 1999, are disclosed in the Directors' Report.

#### e. Vested share awards

Details of vested share awards are disclosed in the Directors' Report.

#### f. Other transactions with key management personnel

Some directors, key management personnel and their associates have investments in managed investment schemes for which the Company acts as responsible entity. These investments are made at arms length and in the ordinary course of business.

Some directors, key management personnel and their associates receive wealth management, superannuation and other financial services from the Group. These services are provided at arms length and in the ordinary course of business except the directors, key management personnel and their associates are entitled to receive the normal available staff discount or other customary discount available in relation to size of business.

There were no other related party transactions between the Group or the parent entity and key management personnel or their related entities apart from the above (2009: nil).

#### Transactions with other related parties

The Company had an interest free intercompany account with each of its controlled entities. The amounts owed to the Company by its controlled entities are disclosed in note 16.

The Company and its controlled entities have entered into a tax sharing arrangement, as disclosed in note 3.13.

### 37. Related party disclosures (cont.)

A controlled entity acts as trustee for the Wealthpac Master Trust, Public Eligible Rollover Fund, Equity Super Pooled Superannuation Trust, Mutual Super, and the Freedom of Choice Superannuation Masterfund from which it receives administration fees. These fees are contractually agreed with members.

A controlled entity receives fees from the Wealthpac Master Trust and the Freedom of Choice Masterfund for work undertaken on behalf of the Wealthpac Master Trust. Another controlled entity is the Trustee of these Trusts.

A controlled entity receives commissions from the Wealthpac Master Trust and the Freedom of Choice Masterfund. Another controlled entity is the Trustee of these Trusts.

A controlled entity, Equity Investment Management Limited, receives administration and service charges from its subsidiary company, Equity Trustees Superannuation Limited.

All other transactions took place on normal commercial terms and conditions.

#### Parent entity

The parent entity of the Group is Equity Trustees Limited.

The ultimate Australian parent entity and ultimate parent entity is Equity Trustees Limited.

#### Investments in Managed Investment Schemes

Included in the investment portfolio of the Company are investments in managed investment schemes where the Company acts as responsible entity. These investments are made on normal commercial terms and conditions.

### 38. Notes to the cash flow statement

#### a. Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash and cash equivalents	4,975,762	3,180,486	4,708,012	2,589,088
Other current financial assets – short-term deposits	4,932,618	10,097,741	4,750,618	9,919,952
	9,908,380	13,278,227	9,458,630	12,509,040

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 38. Notes to the cash flow statement (cont.)

#### b. Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Profit for the period	8,045,224	8,011,871	7,817,421	6,102,761
Income tax expense recognised in profit and loss	3,432,121	3,237,709	2,536,248	2,327,417
(Profit) / loss on sale of investments	(719,522)	(669,947)	(719,522)	(669,947)
Depreciation and amortisation of non-current assets	914,236	1,694,512	728,522	1,505,361
Provision for make good written back	-	(406,950)	-	(406,950)
Impairment of financial instruments	-	373,000	-	373,000
Amortisation of management rights	197,271	197,271	-	-
(Profit) / loss on sale of plant and equipment	85,942	25,402	81,368	25,402
Equity-settled share-based payments	310,719	294,149	310,719	294,149
Interest income received and receivable	(710,576)	(858,626)	(690,578)	(820,802)
Dividends received and receivable	(178,636)	(316,270)	(1,818,133)	(316,271)
	<b>11,376,779</b>	<b>11,582,121</b>	<b>8,246,045</b>	<b>8,414,120</b>
<b>Movements in working capital</b>				
(Increase) /decrease in current receivables	255,367	(66,727)	389,586	(380,259)
(Increase) /decrease in other current assets	(52,509)	2,739,744	(36,622)	2,269,620
(Increase) /decrease in non-current receivables	(182,376)	182,586	(991,510)	(845,349)
Decrease in other non-current assets	169,855	2,740,783	169,855	2,630,062
Increase /(decrease) in current payables	161,583	(2,602,792)	(48,779)	(706,088)
Increase /(decrease) in current provisions	572,702	(1,796,523)	1,459,068	(917,796)
(Decrease) in other current liabilities	(343,527)	(1,858,093)	(343,527)	(1,858,093)
(Decrease) in non-current provisions	(196,068)	(1,105,905)	(196,068)	(1,105,905)
Increase /(decrease) in non-current liabilities	(113,445)	879,962	(56,334)	(28,583)
<b>Cash generated from operations</b>	<b>11,648,361</b>	<b>10,695,156</b>	<b>8,591,714</b>	<b>7,471,729</b>
Income taxes paid	(3,112,528)	(4,100,000)	(3,112,528)	(4,100,000)
<b>Net cash generated by operating activities</b>	<b>8,535,833</b>	<b>6,595,156</b>	<b>5,479,186</b>	<b>3,371,729</b>

#### c. Non-cash financing activities

There have been nil non-cash financing activities (2009: nil).

#### d. Business acquired

There have been no businesses acquired (2009: \$974,902 was paid for businesses acquired in 2008).

## 39. Financial instruments

### a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while balancing achieving shareholder returns with prudential management of resources, achieving its long term strategy and meeting the net tangible asset (NTA) requirements imposed by regulatory authorities.

The Group's overall strategy remains unchanged from 2009. The Group has met its NTA requirements throughout the 2010 year as well as throughout the 2009 year. Until May 2010 the Group was also required to maintain a reserve fund (refer note 19). The Group maintained this reserve fund throughout the 2010 year until it was no longer required and also throughout the 2009 year.

### 39. Financial instruments (cont.)

The capital structure consist only of equity (refer note 28 for details regarding equity instruments issued). The Group operates only in Australia and is subject to a requirement under its RSE licence to maintain NTA of \$5m. There are no other externally imposed capital requirements (2009: there was a requirement to maintain a reserve fund (refer note 19).

Operating cashflows are used to maintain and expand the Group's financial services activities including providing funds for acquiring suitable businesses that fit with the existing financial services activities of the Group. Operating cashflows are also used to fund routine payments of tax and dividends.

The Group's current policy is to fund its activities, including business acquisitions by using accumulated surplus operating cashflow and raising funds through the issue of ordinary shares in the head company, Equity Trustees Limited. This policy is periodically reviewed in light of the Group's long term strategy, prudential management of resources, dividend policy, market conditions, and NTA requirements and achieving shareholder returns.

#### b. Significant account policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial assets, financial liability and equity instrument are disclosed in note 3.

#### c. Categories of financial instruments

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Financial assets</b>				
Cash and cash equivalents	4,975,762	3,180,486	4,708,012	2,589,088
Cash and cash equivalents – short-term deposits	4,932,618	10,097,741	4,750,618	9,919,952
Loans and receivables – trade debtors and other receivables	2,417,398	2,228,592	2,357,474	2,186,568
Available-for-sale financial assets	10,118,786	6,051,893	10,118,786	6,051,893
	<u>22,444,564</u>	<u>21,558,712</u>	<u>21,934,890</u>	<u>20,747,501</u>
<b>Financial liabilities</b>				
Amortised at cost	101,184	105,168	82,729	28,597

During the 2010 financial year there were no financial assets or liabilities designated as at fair value through profit or loss for either the Group or the Company (2009: nil). No financial assets have been pledged as collateral for either liabilities or contingent liabilities (2009: nil). No assets are held as collateral (2009: nil).

#### d. Financial risk management objectives

The Group's and the Company's main financial instrument risk exposures relate to market risk (including price and interest rate risk), credit risk, and liquidity risk. Neither the Group nor the Company has any borrowings. The Group and the Company manage financial instrument risk through a combination of executive management monitoring key financial risks and the use of committees that manage and monitor particular activities and their related financial risks.

Both the executive management and committees report to the Board on a monthly basis regarding their activities and the related financial risks. The committees include a Due Diligence Committee (DDC), a Registrable Superannuation Entity Committee (SCC), and an Investment Management Committee (IMC). The DDC and SCC review new business proposals including the credit risk associated with the counter parties. The IMC responsibilities include reviewing and managing the Group's investment portfolio and its associated financial risks.

The liquidity position of the Group and Company are continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets is considered prior to the transaction being approved.

# Notes to the Financial Statements for the Financial Year Ended 30 June 2010

## 39. Financial instruments (cont.)

### d. Financial risk management objectives (cont.)

The Group does not enter into or trade financial instruments for speculative purposes, and the Group does not have any derivative instruments. The Group's investment policy is to hold financial instruments for the long-term to support capital and NTA requirements. The asset allocation of the portfolio is conservative and any changes to investments are approved by the Board. The Group does not use hedging to manage its financial risks.

### e. Market risk

The Group's and the Company's primary exposure in relation to financial instruments is to interest rate risk and price risk. These exposures primarily arise in relation to the Group's and Company's investment portfolio. Neither the Group nor the Company has any borrowings nor do they have any exposure to foreign currency risk in relation to their financial instruments. Neither the Group nor the Company uses derivatives to manage market risks as executive management do not believe these risks warrant the use of derivatives due to their nature and relative low level of risk.

At both the Group and Company level, market risks in relation to financial instruments are managed by executive management and IMC monitoring and review which includes sensitivity analysis. There has been no change from the previous period to the Group's or the Company's exposure to market risk or the manner in which these risks are managed and measured.

### f. Interest rate risk management

The Group and the Company are exposed to interest rate risk in relation to their financial instruments as they have funds invested in variable interest rate investments. Neither the Group nor the Company has any borrowings. The risk is primarily managed by maintaining prudent asset allocations within the investment portfolio, to minimise the impact of movements in interest rates on the overall portfolio whilst maintain acceptable levels of returns, and by continuously monitoring the quality and performance of the investments. These investment processes and reviews are managed by the IMC.

### Interest rate sensitivity analysis

A sensitivity analysis in relation to the Group's and Company's exposure to interest rate movements is set out below. Management has assessed the reasonably possible change in interest rates to be plus/minus 100 basis points for 2010 (2009: plus/minus 100 basis points) based on a review of market conditions. This assumes both long and short term interest rates will have the same basis point movement.

The sensitivity analysis is calculated using the end of year balance of the financial instrument where this balance is representative of the balance throughout the year. If the end of year balance is not representative of the balance throughout the year, then the sensitivity analysis is calculated using the average balance (calculated on a quarterly basis) held throughout the year.

Consolidated		Interest rate risk			
		-1%		+1%	
Carrying amount at 30 Jun 10		Profit	Equity	Profit	Equity
\$		\$	\$	\$	\$
2010					
Cash and cash equivalents	4,975,762	(36,947)	n/a	36,947	n/a
Cash and cash equivalents – short-term deposits	4,932,618	(64,498)	n/a	64,498	n/a
	9,908,380	(101,445)		101,445	

Consolidated		Interest rate risk			
		-1%		+1%	
Carrying amount at 30 Jun 09		Profit	Equity	Profit	Equity
\$		\$	\$	\$	\$
2009					
Cash and cash equivalents	3,180,486	(25,743)	n/a	25,743	n/a
Cash and cash equivalents – short-term deposits	10,097,741	(106,723)	n/a	106,723	n/a
	13,278,227	(132,466)		132,466	

## 39. Financial instruments (cont.)

Company	Carrying amount at 30 Jun 10 \$	Interest rate risk			
		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$
2010					
Cash and cash equivalents	4,708,012	(31,222)	n/a	31,222	n/a
Cash and cash equivalents – short-term deposits	4,750,618	(62,696)	n/a	62,696	n/a
	9,458,630	(93,918)		93,918	

Company	Carrying amount at 30 Jun 09 \$	Interest rate risk			
		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$
2009					
Cash and cash equivalents	2,589,088	(17,672)	n/a	17,672	n/a
Cash and cash equivalents – short-term deposits	9,919,952	(104,982)	n/a	104,982	n/a
	12,509,040	(122,654)		122,654	

## g. Other price risk

The Group and the Company are exposed to other price risk from their investment in Australian equities, Australian managed investment schemes, and Australian hybrid share instruments. These investments are held for long term investment purposes and support the NTA requirement. These investments are not held for trading purposes and they are not actively traded.

The risk is primarily managed by maintaining prudent asset allocations within the investment portfolio, to minimise the impact of movements in equity prices on the overall portfolio whilst maintaining acceptable levels of returns, and by continuously monitoring the quality and performance of the investments. These investment processes and reviews are managed by the IMC.

## Price sensitivity analysis

A sensitivity analysis in relation to the Group's and Company's exposure to other price movements is set out below. This sensitivity analysis has been determined based on the exposure to Australian equities, Australian managed investment schemes and Australian hybrid share instruments. Management has assessed the reasonably possible change in Australian equities to be plus/minus 10%, managed investment scheme plus/minus 5% or plus/minus 10% (depending on type of underlying assets) and Australian hybrid share instruments to be plus/minus 5% (2009: Australian equities plus/minus 10%, managed investment scheme plus 5% /minus 20%, and Australian hybrid share instruments to be plus/minus 5%) based on a review of market conditions.

The sensitivity analysis is calculated using the end of year balance of the financial instrument where this balance is representative of the balance throughout the year. If the end of year balance is not representative of the balance throughout the year, then the sensitivity analysis is calculated using the average balance (calculated on a quarterly basis) held throughout the year.

Consolidated	Carrying amount at 30 Jun 10 \$	Plus/minus impact %	Other price risk			
			Minus impact		Plus impact	
			Profit \$	Equity \$	Profit \$	Equity \$
2010						
Available for sale investments:						
Australian equities	3,729,215	10%	n/a	(437,735)	n/a	437,735
Australian hybrid shares	341,538	5%	n/a	(33,536)	n/a	33,536
Managed investment schemes	6,048,033	+/-5%/+/-10%	n/a	(245,580)	n/a	245,580
	10,118,786			(716,851)		716,851

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 39. Financial instruments (cont.)

#### g. Other price risk (cont.)

Consolidated	Carrying amount at 30 Jun 09	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2009	\$	%	\$	\$	\$	\$
Available for sale investments:						
Australian equities	4,076,151	10%	n/a	(544,830)	n/a	544,830
Australian hybrid shares	295,756	5%	n/a	(36,694)	n/a	36,694
Managed investment schemes	1,679,986	+5%/-20%	n/a	(328,770)	n/a	118,679
	6,051,893			(910,294)		700,203

Company	Carrying amount at 30 Jun 10	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2010	\$	%	\$	\$	\$	\$
Available for sale investments:						
Australian equities	3,729,215	10%	n/a	(437,735)	n/a	437,735
Australian hybrid shares	341,538	5%	n/a	(33,536)	n/a	33,536
Managed investment schemes	6,048,033	+/-5%/+/-10%	n/a	(245,580)	n/a	245,580
	10,118,786			(716,851)		716,851

Company	Carrying amount at 30 Jun 09	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit	Equity	Profit	Equity
2009	\$	%	\$	\$	\$	\$
Available for sale investments:						
Australian equities	4,076,151	10%	n/a	(544,830)	n/a	544,830
Australian hybrid shares	295,756	5%	n/a	(36,694)	n/a	36,694
Managed investment schemes	1,679,986	+5%/-20%	n/a	(328,770)	n/a	118,679
	6,051,893			(910,294)		700,203

#### h. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The main source of credit risk in relation to financial instruments is from outstanding accounts receivables and investments with banks and managed investment schemes.

Executive management and where applicable the DDC and SCC review significant new clients before the take on of these clients is approved. The review process includes establishing the credit worthiness of the client. Other new clients are reviewed by business managers for credit worthiness as is appropriate to the size and nature of the client. The IMC reviews and monitors the investments with Banks and managed investment schemes including any credit risk issues.

Accounts receivable consists of a large number of customers. Ongoing evaluation is performed on the financial condition of outstanding accounts receivables by the applicable business managers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the Group holds its liquid funds with counterparties that are banks with high credit-ratings assigned by international credit-rating agencies and in managed investment schemes which have a low risk of default.



### 39. Financial instruments (cont.)

As outlined in note 37, included in the investment portfolio of the Company and Group are investments in managed investment schemes where the Company acts as responsible entity. Although the Company has a prima facie credit exposure from these investments, this risk is not significant due to the existence of suitable controls including monitoring by the IMC of the quality and security of these investments.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's and Group's maximum exposure to credit risk without taking account of any collateral obtained.

#### i. Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (Financial assets valued using quoted prices include Australian equities and Australian hybrid shares. Managed investment schemes are valued using daily published unit prices);
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's investment portfolio, classified as available-for-sale financial assets (refer note 3.8) is measured at fair value. Fair value is determined with reference to quoted market prices including transaction costs.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobserved inputs).

Consolidated	30 June 2010			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Available for sale investments:				
Australian equities	3,729,215	-	-	3,729,215
Australian hybrid shares	341,538	-	-	341,538
Managed investment schemes	4,876,400	1,171,633	-	6,048,033
	8,947,153	1,171,633	-	10,118,786

Company	30 June 2010			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Available for sale investments:				
Australian equities	3,729,215	-	-	3,729,215
Australian hybrid shares	341,538	-	-	341,538
Managed investment schemes	4,876,400	1,171,633	-	6,048,033
	8,947,153	1,171,633	-	10,118,786

## Notes to the Financial Statements for the Financial Year Ended 30 June 2010

### 39. Financial instruments (cont.)

#### j. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have put in place a suitable risk management framework to manage the Group's and Company's short, medium and long-term funding and liquidity management requirements.

The Group and Company manage liquidity risk by maintaining adequate reserves and banking facilities. The liquidity position of the Group and Company are continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets is considered prior to the transaction being approved.

Neither the Group nor the Company has any derivative financial instruments.

#### Liquidity and interest risk table

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company/Group can be required to pay. None of the amounts in the table are interest bearing.

Consolidated						
	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	5+ years \$
<b>2010</b>						
Non-interest bearing – trade creditors	0%	101,184	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		101,184	-	-	-	-
<b>2009</b>						
Non-interest bearing – trade creditors	0%	105,168	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		105,168	-	-	-	-
Company						
	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	5+ years \$
<b>2010</b>						
Non-interest bearing – trade creditors	0%	82,729	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		82,729	-	-	-	-
<b>2009</b>						
Non-interest bearing – trade creditors	0%	28,597	-	-	-	-
Financial guarantee contracts	0%	-	-	-	-	-
		28,597	-	-	-	-

At the year end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil (2009: nil). The maximum amount payable under these guarantees is \$666,227 (2009:\$696,993).

### 39. Financial instruments (cont.)

The following table details the Company's and the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

Consolidated						
	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	5+ years \$
<b>2010</b>						
Cash and cash equivalents	3.96%	4,975,762	-	-	-	-
Cash and cash equivalents – short-term deposits	6.03%	4,932,618	-	-	-	-
Trade and other receivables	n/a	2,417,398	-	-	-	-
Australian equities and hybrid shares	n/a	4,070,753	-	-	-	-
Managed investment schemes	n/a	4,876,400	-	-	1,171,633	-
		21,272,931	-	-	1,171,633	-
<b>2009</b>						
Cash and cash equivalents	4.07%	3,180,486	-	-	-	-
Cash and cash equivalents – short-term deposits	5.88%	10,097,741	-	-	-	-
Trade and other receivables	n/a	2,228,592	-	-	-	-
Australian equities and hybrid shares	n/a	4,371,907	-	-	-	-
Managed investment schemes	n/a	486,491	-	-	1,193,495	-
		20,365,217	-	-	1,193,495	-

Company						
	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	5+ years \$
<b>2010</b>						
Cash and cash equivalents	3.96%	4,708,012	-	-	-	-
Cash and cash equivalents – short-term deposits	6.17%	4,750,618	-	-	-	-
Trade and other receivables	n/a	2,357,474	-	-	-	-
Australian equities and hybrid shares	n/a	4,070,753	-	-	-	-
Managed investment schemes	n/a	4,876,400	-	-	1,171,633	-
		20,763,257	-	-	1,171,633	-
<b>2009</b>						
Cash and cash equivalents	4.20%	2,589,088	-	-	-	-
Cash and cash equivalents – short-term deposits	5.89%	9,919,952	-	-	-	-
Trade and other receivables	n/a	2,186,568	-	-	-	-
Australian equities and hybrid shares	n/a	4,371,907	-	-	-	-
Managed investment schemes	n/a	486,491	-	-	1,193,495	-
		19,554,006	-	-	1,193,495	-

### 40. Subsequent events

There have been no material subsequent events (2009: nil).

# Independent Auditor's Report to the Members of Equity Trustees Limited

# Deloitte.

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## Independent Auditor's Report to the Members of Equity Trustees Limited

### Report on the Financial Report

We have audited the accompanying financial report of Equity Trustees Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 24 to 73.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

# Deloitte.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Equity Trustees Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

## **Report on Other Legal and Regulatory Requirements**


### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Equity Trustees Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU

  
G J McLean  
Partner  
Chartered Accountants  
26 August 2010

## Statement of Shareholdings

The company's shares are listed on the Australian Securities Exchange.

The issued capital of the company as at 31 August 2010 comprising 8,407,280 fully paid ordinary shares is held by 1,573 shareholders as follows:

Size of Holding	Holders of Ordinary Shares
1 – 1,000*	750
1,001 – 5,000	580
5,001 – 10,000	141
10,001 – 100,000	94
100,001 and over	8
	<b>1,573</b>

\* Number of shareholders holding less than a marketable parcel (\$500) based on the market price of \$15.45 as at 31 August 2010 was 43.

Twenty Largest Shareholders as at 31 August 2010		No. of Shares	%
1.	Trust Company Fiduciary Services Limited	1,193,942	14.20
2.	Australian Foundation Investment Company Limited	646,558	7.69
3.	Equity Nominees Limited	345,040	4.10
4.	Mirrabooka Investments Limited	270,696	3.22
5.	DB Management Pty Ltd	236,638	2.81
6.	Milton Corporation Limited	235,503	2.80
7.	Amcil Limited	186,587	2.22
8.	DB Management Pty Ltd	159,678	1.90
9.	Mr Leonard Clive Keyte	82,494	0.98
10.	Cogent Nominees Pty Limited	81,382	0.97
11.	RBC Dexia Investor Services Australia Nominees Pty Limited	71,000	0.84
12.	Mr Vernon Thomas Hauser	66,000	0.79
13.	Fatofa Investments Pty Ltd	56,993	0.68
14.	Charmof Nominees Pty Ltd	56,100	0.67
15.	National Nominees Limited	55,131	0.66
16.	Mr Geoffrey Heeley & Mrs Dorothy Heeley	52,395	0.62
17.	DB Management Pty Ltd	51,482	0.61
18.	Medical Research Foundation for Women and Babies	50,000	0.59
19.	DB Management Pty Ltd	49,949	0.59
20.	Mrs Margaret Crutch	45,653	0.54

### Substantial shareholders

At 31 August 2010, substantial shareholder notices had been received from the following shareholders:

	Shares Held
Trust Company Limited	1,161,567
Australian Foundation Investment Company Limited	502,688
DB Management Pty Ltd and associates	493,560







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